Austria	Sch22	Indonesia	Rp3500	Oman	Dr1
Bahrain	Din0.750	Iran	Rls100	Pakistan	Rps15
Belgium	BFr60	Israel	Shk2.50	Portugal	Esc140
Cyprus	C£0.90	Italy	L1700	Qatar	QR8.00
Denmark	DKr15.00	Jordan	Fils500	S.Arabia	Rls7.00
Egypt	E£2.25	Kuwait	Fils500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	L£30.00	Spain	Pta140
France	FFr7.00	Lux	LFr60	Sweden	SKr10
Germany	DM2.20	Malaysia	Ring4.25	Switz	SFr2.40
Greece	Dr130	Morocco	Dh8.00	Thailand	Bt50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.900
Iceland	Ikr125	Nigeria	Naira10	Turkey	L1800
India	Rup15	Norway	Nkr10.00	UAE	Dh7.50

EUROPE'S BUSINESS NEWSPAPER

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TRADE

US lists barriers it wants removed

Page 4

World News

Protests and rallies mark May Day celebrations

Upbeat May Day celebrations in Moscow focused on reform in the Soviet Union, but in Czechoslovakia police detained dozens of marchers demanding change. In Poland, police and demonstrators clashed in Wroclaw and Gdansk. Warsaw saw a jubilant march by the recently legalised Solidarity trade union. On the 100th anniversary of the May Day holiday, police battled militants in South Korea, West Berlin and Turkey, and workers in the Philippines threatened a strike. Pages 2, 6 and 20

US warning to UN

Mr James Baker, US Secretary of State, said he would recommend ending US contributions to the World Health Organisation or any other United Nations agency which admitted the Palestine Liberation Organisation as a full member.

Dutch crisis

The Netherlands' Christian Democrat-Liberal government faced a serious crisis over a proposed National Environment Plan. Page 2

Paraguay elections

Paraguayans voted yesterday in the nation's freest elections in 40 years. Gen Andres Rodriguez, candidate of the governing Colorado Party and the man who ousted dictator Alfredo Stroessner, was expected to defeat former exile Domingo Laino and six other rivals.

Beirut battles

Syrian and Christian forces battled with mortar and tank fire in hills above Beirut in the most serious breach of a three-day-old truce called by the Arab League. Page 3

India missile hitch

The launch of India's first intermediate-range ballistic missile was postponed for the second time after computers detected a data error in a sub-engine. Page 4

Gulf oil spills

The United Arab Emirates has been fighting an oil spill on the eastern side of the Arabian Peninsula, while Saudi Arabia grappled with a major leak in the Red Sea.

Italy strike plan

Italy's main trade union confederations confirmed plans for a four-hour general strike on May 10 against controversial new health care charges.

Sudan ceasefire

Sudanese rebels, in a surprise move, declared an immediate one-month ceasefire in their fight against government forces. Page 4

S African killing

Masked gunmen shot dead David Webster, a university lecturer and South African civil rights activist outside his Johannesburg home. Page 4

Tornado aftermath

Hunger and disease engulfed areas of central Bangladesh where at least 800 people were killed by a tornado last week. Officials and villagers said supplies of food and medicine were far from adequate. Page 6

Iran to buy fighters

Iran said it was buying new fighter-bombers from an unnamed country, bolstering its depleted air force, and would get other weapons from the Soviet Union.

Cambodia changes

The People's Republic of Kampuchea has become the State of Cambodia. Prime Minister Hun Sen also opened the way for a pluralistic political system and abolished the death penalty. Profile, Page 6

Shuttle on the Seine

Paris yesterday launched its first river-bus service on the Seine in more than 50 years, an experiment to ease the capital's traffic jams.

Jackson for mayor

The Rev Jesse Jackson is considering running for Mayor of Washington DC, a move that would probably remove him from the race for the Democratic presidential nomination in 1992. Page 3

Business Summary

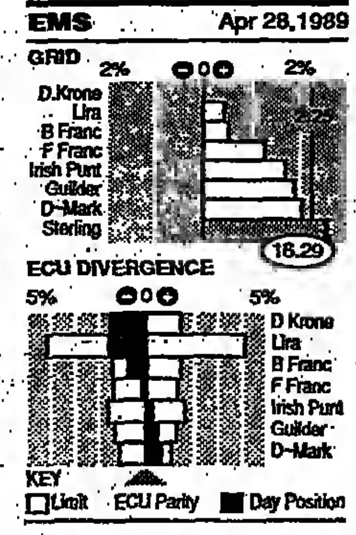
London plans to become electronic marketplace

LONDON Stock Exchange is seeking the endorsement of its member firms for an ambitious plan to develop an "electronic marketplace" for international and domestic equities, gilts and fixed-interest instruments together with traditional and traded options. Page 20

EUROPEAN Monetary System: The D-Mark lost ground against the dollar despite the rise in German interest rates and news that withholding tax is to be abolished, but it was barely changed against its EMS partners.

The French franc ended the week on a firmer note, helped by better-than-expected March trade figures, while the Danish kroner – currently the weakest member of the system – showed signs of coming under renewed pressure, but it continued to trade within its divergence limit.

EMS Apr 28,1989



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the Lira may move by more than 2¼ per cent. The lower gives currencies' divergence from the central rate against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

TOKYO: The Nikkei average rose to a fourth consecutive high, adding 79.82 to 33,793.17. Page 37

NEW YORK: Wall Street stocks fell but later managed to recover some ground. US Treasury bonds fell sharply. The Dow Jones Industrial Average closed 3.84 points lower at 2,414.96 after falling to 2,397.10 at the outset. The S&P Comp fell 0.52 to 309.12. Page 37

STERLING closed in New York at $1.67985. The dollar closed at DM1.89075, FFr6.3830, SFr1.68775 and Y134.03. Currencies, Page 29

RANKS HOVIS McDOUGALL, UK milling, baking and food group, and Goodman Fielder Wattie, Australasia's largest food company, looked increasing likely to go ahead with a friendly merger after talks last night. Page 20

PLESSEY, UK electronics group, is collaborating with Siemens, the West German company making a joint bid for Plessey, for a contract to operate a pilot traffic guidance system in London. Page 8

DYNO INDUSTRIER, Norwegian diversified chemicals company, improved first-quarter net income by NKr2m to NKr66m ($9.25m). Page 24

TENNECO, diversified US manufacturing and natural gas pipeline group, reported sharply higher first quarter earnings. Net profits for the three months ended March, 1989 rose to $109m from $10m a year earlier. Page 24

DRAGADOS Y CONSTRUCCIONES and Agroman, Spain's two largest construction companies, are thought to have been the targets of major European competitors after recent heavy speculative stock market activity. Page 24

SOUTH KOREA'S Trade Minister said US charges that his country engaged in unfair trade practices were "incorrect" and warned that trade ties would be seriously harmed if Washington put Seoul on a sanctions hit list. Page 4

IRAQ will more than double its oil export capacity to between 5.5 and 6m barrels a day in 1990, but is ready to abide by an Opec production quota.

ISRAEL's top five banks were hit by bad debt provisions for the faltering kibbutzim movement costing more than Sh1 1.94bn ($10.25m). Page 24

US remains firmly opposed to Bonn's Soviet talks plan

By Lionel Barber in Washington

THE US will not compromise on its opposition to West German plans for early East-West negotiations on short-range nuclear missiles, according to a senior US official.

After talks at the weekend between Mrs Margaret Thatcher, the British Prime Minister, and Mr Helmut Kohl, the West German Chancellor, agreement on the issue still seemed no closer, although German officials said they believed Mrs Thatcher would back down from her opposition before the Nato summit later this month in order to avoid a public display of disunity.

However, the US is admantly opposed to early negotiations on short-range weapons, even if it means letting division surface within the Nato alliance, the official said. His comments indicate that Washington is firmly aligned with the UK in its opposition to the idea.

While there is little public anxiety in Washington over the rift, officials seem to have been taken aback by West Germany's new assertiveness in pushing for early negotiations.

President Bush has largely refrained from public comment, citing his pre-occupation with the still-unfinished strategic review of US foreign policy. In his absence, other officials, notably Mr Dick Cheney, Defence Secretary, have begun to speak out.

Mr Cheney caused a diplomatic flap at the weekend by saying in a television interview he believed Mr Mikhail Gorbachev, the Soviet leader, would fail in his efforts to re-structure Soviet society.

However, Mr Bush later made clear that the US, while firm about modernising short-range missiles, wished Mr Gorbachev well in his perestroika programme.

The senior US official acknowledged West European kaenness to hear President Bush's views on the future of Europe and arms control.

However, he said, short-range weapons were not susceptible to negotiation. "It would deflect attention from our conventional arms proposals.

It would shatter Nato's military strategy. It would end the consensus within the alliance that nucler deterrence is at the heart of the defence of Europe."

US officials believe they have already made concessions to Mr Kohl by deferring any decision to replace the short-range, nuclear-tipped Lance missile – a compromise which much disappointed the British Government.

David Marsh in Bonn adds: Mr Hans-Dietrich Genscher, the West German Foreign Minister, said he believed a compromise would be possible at the Nato summit in Brussels.

This would be based on the line taken by Bonn opposing an early commitment on new short-range weapons, and requesting early talks on reducing stocks of such missiles of less than 500km range.

A West German official said yesterday that Mrs Thatcher had an interest in seeing that the Brussels summit succeeded since it would represent an important international debut for President Bush.

The official admitted that finding a compromise would not ba simple. However, he stressed that Bonn's line in favour of early talks on reducing short-range weapons was meant to fix a negotiating procedure within Nato to find a common view.

The official added that Britain should not have shown surprise over Bonn's request for short-range negotiations. This position was formulated in 1987 after Nato agreed to accept the "double zero" option under the 1987 Intermediate Nuclear Forces Treaty, which eliminated missiles down to a range of 500 km.

At their press conference on Sunday after talks in Deidesheim, south-west Germany, both Mrs Thatcher and Mr Kohl underlined their differences but also voiced hopes that they could be bridged in time for the Nato summit.

Ogilvy says it will resist takeover move by WPP

By James Buchan in New York and Nikki Tait in London

OGILVY Group, the New York-based owner of the world's fifth-largest advertising agency, made clear yesterday its determination to resist a takeover by WPP, the UK advertising and marketing services company which has offered to make a recommended bid worth $720m.

A successful takeover would create a new giant in the advertising industry, with gross billings to clients estimated at $13.5bn, roughly equal to UK-based Saatchi & Saatchi, the world's largest advertising group.

The proposed deal would be the second big US acquisition by WPP, which is headed by Mr Martin Sorrell, former finance director of Saatchi. In 1987 WPP paid $566m for JWT Group, which includes the J Walter Thompson advertising agency and the Hill & Knowlton public relations company.

Ogilvy, which owns the Ogilvy & Mather advertising agency and public relations, marketing research and consulting operations, last year made net profits of $32.9m on revenues of $838.9m.

The US company's official response was to describe WPP's proposals as "a sales pitch which suffers from serious flaws in business logic." Its founder, 77-year-old Mr David Ogilvy, who retired as chairman in 1975, said: "It took me 40 years to build this damn thing up. I get only one thing, but this little jerk buys them."

In New York, Mr Jonathan Rinehart, chairman of Ogilvy's public relations business, said: "The offer was unsolicited and unwelcome. It came as a surprise to us on Friday afternoon. We don't see any virtue in sheer size for our clients, shareholders and employees." There were no plans for the board to meet until a regular monthly session on May 16.

Wall Street takeover speculators plunged into Ogilvy's stock yesterday morning, sending its price up $16⅞ to $48⅞ in heavy trading. WPP has offered to pay $45.

Ogilvy yesterday published a letter from Mr Ken Roman, its chief executive, in reply to a longer one from Mr Sorrell, which had outlined the benefits WPP saw in a link.

Mr Sorrell's letter was accompanied by a statement from Samuel Montagu, WPP's merchant bank, which said it was highly confident that funding for the deal – which would include a substantial equity element – could be arranged.

Ogilvy's defence will be aimed mainly at UK investing institutions which are likely to be required to finance Mr Sorrell's latest US venture. Its advisers, which include two New York investment banks and S.G. Warburg in the UK, argue that buying Ogilvy would not provide WPP with the sort of quick returns pro-

Continued on Page 20

Warning on bank capital pact

By David Lascelles, Banking Editor, in Amsterdam

WORLD BANKING authorities will be on their guard against inventive minds which try to undermine the recent international agreement on banking capital.

This warning was given by Mr Huib Muller, the new chairman of the Basle-based Committee of International Bank Supervisors which is in the process of implementing new capital standards which will apply to all the world's major banks.

Mr Muller, an executive director of the Dutch central bank, was speaking in his first interview since he succeeded Mr Peter Cooke, the former Bank of England official who oversaw the preparation of the agreement.

He said: "We will monitor the agreement and ensure that we protect the integrity of the system. There is a lot of ingenuity by financial experts which risks snbvarting the quality of bank capital. We must be careful not to be seduced by this."

Mr Muller said it was understandable that banks would try to stretch the definition of capital to include new types of instruments. But he said it was important to preserve a "clear cut" definition.

Whether new instruments qualified as capital would be a matter for judgment by the committee which now has an established procedure for vetting innovations. He said the number of inquiries received by the committee since the agreement was launched last year was into "double digits".

Mr Mnller revealed that more than 20 countries had subscribed to the agreement, including all the world's major industrial nations and a number of specialised financial centres such as Hong Kong and Singapore.

Future items on the committee's agenda, he said, would be the possible extension of the Basle agreement from landing activities to cover banks' dealings in the foreign exchange, money and securities markets.

Mr Muller said he hoped that Brussels would soon come forward with definitive proposals for a banking regime in the EC for the single market in 1992. The delay meant that there was a risk that the work of the EC and Basle would get out of step.

An experienced hand, Page 21

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THE LIFE OF A SWISS BANKER

Robert Studer of UBS is Switzerland's top banker but he fits none of the usual preoonceptions. Ha admits that Swiss banking recently auffered a loss of mystiqua but thinks the damage has been exaggerated.
Page 40

Chinese students threaten further protests

By Our Foreign Staff

CHINESE student activists yesterday threatened more mass demonstrations on Thursday if the Government did not begin direct negotiations instead of meeting only with selected student representatives.

Thursday is the 70th anniversary of the May 4 Movement, when intellectuals and students protested for modernisation and democracy.

It is also one week after more than 60,000 students paralysed the cepital with a march, a display of defiance in the face of official warnings.

Student leaders attacked government meetings with selected students as a pretence, and accused officials of trying to co-opt students without agreeing to democratic reforms.

An activist at Peking University said the protest co-ordinating committee at the campus had recommended the ultimatum to tbe Peking Antonomous Students Federation.

The meetings began over the weekend in a government effort to quell two weeks of stndent demonstrations. Anthorities continne to describe the protest committees established in the last two weeks as illegal organisations.

Students also called for the establishment of a nationwide independent student union and indefinite continuation of the class boycott begun last week by abont 75,000 students in Beijing and nearby Tianjin.

Universities were closed yesterday to celebrate the May 1 labour holiday.

State radio said anthorities were continuing discussions with students.

Peking city Communist Party Chief Li Ximing has warned students of the conseqnences of their movement being exploited by evil people.

In May Day speeches and editorials, the Communist Party warned workers to resist forces of social instability.

Top party official Hn Qili told representatives of 2,000 trades gathered in the Great Hall of the People that the nation's reforms wonld achieve nothing if social stability was not guaranteed.

Hu, a member of the five-man Politburo Standing Committee, told the workers that social order was required for prodnction, study and living in general, the official China Daily newspaper reported.

Bush promises to act over trade barriers

By Peter Riddell, US Editor, in Waehington

PRESIDENT George Bush yesterday promised to step up efforts to break down overseas barriers to US exporters as the likelihood increased of further conflict over trade between Tokyo and Washington.

Mr Bush told the US Chamber of Commerce he would "work vigorously to break down trade barriers abroad while keeping markets open here at home." He warned that "closed markets mean closed doors to opportunities, that means less prosperity."

However, his appeal for free trade has been accompanied by public pressure from his Administration against Japan accompanied by threats of retaliation.

Mr Hiroshi Mitsuzuka, Japan's Minister of International Trade and Industry, and other senior officials will visit Washington this week for talks with Ms Carla Hills, the US Trade Representative.

Ms Hills has decided that the US will retaliate against Japan for limiting access to its domestic telecommunications market, especially for cellular phones and mobile radios unless the Japanese authorities "act immediately to remedy the practices at issue."

Her decision that Japan has breached bilateral telecommunications trade agreements follows complaints from Motorola, the US electronics group, abont allegedly discriminatory practices by the Japanese Ministry of Posts and Telecommunications limiting the company's access to major markets.

There will now be a series of hearings later this month to determine "an appropriate list of products and services against which the US might retaliate." This would be the first specific retaliation against Japan since the US took action in 1987 over semiconductors.

This decision comes after the publication of a report listing foreign trade practices of Japan, South Korea, Brazil, India and the European Community for possible investigation, negotiation and future retaliation.

The Administration has to announce by May 30 whether to name any of these countries as priority cases under section 301 of last year's Omnibus Trade Act. This would trigger a lengthy period of talks designed to eliminate trade barriers before action is takeo against the so-called "Super 301" countries.

One outstanding US-Japaoese problem was, however, removed late on Friday when the two Governmeots agreed to proceed with tbe FSX project.

This announcement followed assurances by Japan tbat 40 per cent of the development and production work would go to US companies and that there would be strict controls on the transfer of sensitive technologies.

Mr Bush presented the agreement as mutually advantageous to both countries in security and commercial terms, but he faces a stiff fight in Congress wbere the deal can be blocked within 30 days by a joint resolution of disapproval from both houses.

Two prominent Democrats, Senator Alan Dixon and Congressman Richard Gephardt, have said they will oppose the project, and a number of Republicans are also hostile. But the consensus is that after Japan's coocessions the opponents are unlikely to be able to muster sufficient support to block the deal.

However, the degree of controversy over the FSX project, both in Congress and previously within the Administration, underlines the strength of US feeling about Japan. This reflects both the sbort-term absence of any receot improvement in the bilateral trade balance and longer term worries over a growing Japanese competitive advantage

Editorial comment, Page 18

Italy, Britain agree

Italy and Britain have reached an agreement which allows unrestricted entry into Italy of UK-made Nissan cars even thongh Rome continnes to claim that they remain Japanese, not European. The informal arrangement also eppears to satisfy the European Commission. Page 20

European chips plan

The European Commission hopes to unite the continent's semiconducter industry behind a $4bn reseach programme to catch np with Japan and the US. The plan bas been delayed by long-standing disagreement, bnt tbe Commission aims to secure snpport from tha EC's industry ministers to lannch an 18-month initial project. Page 20

Lubbers faces crisis over pollution plan

By Laura Raun in Amsterdam

THE Netherlands' Christian Democrat-Liberal Government faced one of the most serious crises in its seven-year history lsst night over a proposed National Environment Plan.

The Liberal Party, junior partner in the governing coalition, is threatening to submit a parliamentary motion of no confidence today unless the proposed plan is modified. Mr Ruud Lubbers, the Dutch Prime Minister, spent yesterday urgently trying to defuse the crisis through consultations and a letter to Parliament carefully explaining the Environment Plan.

The right-of-centre Liberals vehemently object to proposed tax increases which would help pay for the sweeping 20-year plan aimed at slashing pollution by up to 90 per cent. Mr Joris Voorhoeve, parliamentary whip of the Liberal Party, is expected to request an emergency debate this evening on financing of the plan.

The opposition Labour Party has gleefully promised to support the Liberals in a no-confidence motion. If the Government falls early elections would be held in September.

General elections are scheduled for May 1990 and the centre-right administration would lose its governing majority if elections were held now, according to one recent public opinion poll.

The Amstsrdam Stock Exchange lost 2.4 per cent yesterday with private investors selling heavily. But overall market sentiment leansd toward the view that the Liberals were "threatening rather than intending" a government collapse, according to one stock broker.

The Liberal Party, which has long lobbied for lower taxes, objects to the proposed abolishment of tax deductions for car commuting and increases in petrol excise duties. These are two of a number of possible tax increases designed to raise around Fl 3bn (£833m) under "the polluter pays" policy.

Annual spending under the plan is forecast to soar to Fl 7.3bn by 1994. Another Fl 3bn is expected to come from industry and ultimately consumers in the form of higher product prices.

The Government intends to spend only around Fl 700m.

Thatcher turns blind eye to German public opinion

The British PM's stance on missiles risks inflaming anti-military feeling, reports **David Marsh**

ASKED on her way out of Sunday's press conference with Chancellor Helmut Kohl whether she believed West Germany would remain a member of Nato, Mrs Margaret Thatcher, the British Prime Minister, replied in her most queenly fashion: "Good heavens, yes."

During her talks with Mr Kohl in the village of Deidesheim, in south-west Germany, Mrs Thatcher none the less seemed to be doing her best to make continued German acceptance of Nato's military stance as difficult as possible.

Mrs Thatcher is trying to convince the Germans that Nato armaments decisions make necessary a firm commitment to deploying new short-range nuclear weapons in the Federal Republic. Mrs Thatcher is choosing to ignore a growing aversion in German public opinion to talk of new weapons.

It is a strategy in line with her reputation as the Iron Lady – an image which makes Mrs Thatcher the focus both of adulation and mystification among ordinary Germans. Several thousands clustered to see her in Deidesheim on Sunday and afterwards at the press conference Mrs Thatcher thanked them for their "homage".

Mrs Thatcher's policy on the Germans, however, also risks inflaming anti-military feeling. It could, therefore, end up prompting rather than hindering the outcome which she said on Sunday would be "disastrous" for Nato – removal of all land-based nuclear weapons from Germany.

The row between Britain and Germany centres on the Federal Republic's refusal to consider before 1992 updating the ageing Lance missiles and on Bonn's insistence on "early" talks to cnt stocks of short-range weapons in East and West.

The dispute has exposed a serious breakdown in diplomatic communications between London and Bonn.

British officials appear last year to have over-interpreted ambiguous remarks from Mr Kohl indicating he could push through an early decision on modernising the Lance missiles. Britain also seems to have under-estimated the skill of Mr Hans-Dietrich Genscher, the Foreign Minister, in winning acceptance for his line on nuclear disarmament.

Bonn officials, for their part, have blamed Mrs Thatcher's press spokesman for whipping up what looked like an anti-German campaign in the British press last week.

The nationalistic tunes of the arguments marshalled by Mrs Thatcher and Mr Kohl clearly risk undermining the principles of collective security holding together the Alliance.

On Sunday, Mrs Thatcher underlined that removal of short-range weapons from Germany would make inoperative the Nato policy of "flexible response" to respond to potential Warsaw Pact aggression. In this case, Nato would have no choice but to revert to a "tripwire" strategy, under which conventional attack would be met with massive retaliation.

Mr Kohl responded that he had responsibility towards his own people, pointing out that short-range weapons of less than 500km range automatically affected the Germans more than anyone else. The Chancellor said his "Germans" included people on both sides of the East-West German border.

By making life difficult for Mr Kohl, Mrs Thatcher indirectly is playing into the hands of the opposition Social Democratic Party. Mr Kohl pointed out that the SPD was leaning towards elimination of all short-range missiles in Europe. He clearly implied that, if the centre-right coalition did not survive the general election in December next year, an SPD-led government would be in place – and Mrs Thatcher's nightmare of removal of all short-range weapons could become reality.

East-West journalists urge visa reforms

By Edward Mortimer in London

JOURNALISTS from Eastern and Western Europe, the US and the Soviet Union have put their names to draft proposals calling for a big relaxation of visa restrictions on North American and European journalists operating in the 35 countries covered by the Helsinki Final Act of 1975.

The draft proposals are likely to be opposed by Nato diplomats attending the same conference in London.

The conference, known as the London Information Forum, is a follow-up to the original Helsinki Agreement, signed by all European countries, except Albania, plus the US and Canada.

For the first time, the delegates include journalists, academics and other communications specialists, as well as diplomats. A group of individual journalists is arguing that without the virtually automatic granting of visas, they will be hindered in their reporting activities.

On the Western side, the draft proposals calling for relaxation have been signed by journalists from Denmark, France, the Netherlands, the UK, the US and West Germany. There is also strong support from Sweden and Turkey.

On the Eastern side, there are signatures from Bulgaria, Czechoslovakia, Hungary, Yugoslavia, Poland and the Soviet Union.

Opposition, so far unexpressed in pnblic, comes mainly from the diplomats of the Nato countries, who fear that relaxing visa restrictions on journalists would give access to the West to people who are not solely journalists.

Journalists from two neutral countries, Austria and Switzerland, have also so far declined to back the draft proposals.

The journalists who have signed the proposals will meet today to decide their next move.

A demonstrator shot in Istanbul yesterday in clashes between May Day demonstrators and the security forces.

SAVAGE fighting between protesters and security forces left one dying and about 35 people injured in Istanbul yesterday, writes Jim Bodgener in Ankara. The conflicts raged as banned May Day gatherings turned into demonstrations against a massive police presence in different parts of the city. More than 400 demonstrators were detained. Celebrating worker solidarity on May Day has been proscribed since the 1980 military coup. The ugliest violence yesterday erupted in the city's business centre as workers marched towards Taksim chanting May Day slogans. The 18-year-old demonstrator shot in the head yesterday was later coupled to a life support machine, but he was not expected by doctors to live. Immediate condemnation of alleged police brutality came from human rights and opposition party figures.

BBC man released after Prague May Day march

By Judy Dempsey in Vienna and Leslie Colitt in Berlin

THE BBC's Central Europe correspondent was released by the Czechoslovak authorities yesterday evening after being arrested by police during a demonstration in Prague earlier in the day.

Mr Misha Glenny was held in Skolska Street police station for five hours. He said he was hit on the face, had his arms twisted and his tape recorder smashed on the ground. He was also fined 100 Czechoslovak crowns (about $10) for failing to have the "correct papers" on him, although he entered the country on a legitimate visa issued by the Czechoslovak embassy in Vienna.

His arrest occurred as hundreds of police and plainclothes officers broke up an unofficial May Day demonstration as part of its continuing crackdown on dissent. The demonstration, by about 1,000 people, took place during the official May Day march in Wenceslaus Square in the centre of Prague. It was the first such protest since January when tens of thousands of Czechs took to the streets calling for freedom and democracy.

The police moved in and arrested a number of young Czechs, including Mr Stanislav Devaty, a leading member of Charter 77, the independent human rights movement.

Several other incidents took place on the elongated square where, at one end, Mr Milos Jakes, the Czechoslovak party leader and his Politburo, were reviewing the file-past of factory and office workers. Mass protest demonstrations took place last year and earlier this year on Wenceslaus Square.

One group of protesters carried a portrait of Mr Mikhail Gorbachev, the Soviet leader, and shouted: "Freedom!" The police took them into custody as well. Officials with megaphones told the May Day marchers to disperse, but were met with chants from the crowd of "Long Live the First of May!"

Solidarity in Warsaw rally

Tens of thousands of supporters of Solidarity, the newly-legalised Polish trade union, celebrated May Day with a march through Warsaw reminiscent of the last May Day rally Solidarity held in 1981, writes Christopher Bobinski in Warsaw.

The legal march, which ended with a meeting in support of the union's candidates standing in June's national elections, followed the party's official May Day rally in the city centre, which compared to previous years, was poorly attended.

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Paraguay voters revel in climate of freedom

By Ivo Dawnay in Asunción

PARAGUAY'S 2.2m electors went to the polls yesterday knowing that for the first time in 34 years and after eight rigged presidential elections the name of General Alfredo Stroessner would not be appearing on the ballot paper.

But there was no doubt that his successor as President would be his former friend, General Andres Rodriguez, the army commander who on February 3 brought Latin America's oldest dictatorship to an end in a *coup d'état* that left up to 300 soldiers dead.

As polling began under slate-grey skies, several voters of differing political persuasions remarked on the new climate of democratic freedom since "the old man" was flown to exile in Brazil three months ago.

Dr Juan Granada, an opposition lawyer who boycotted last year's fraudulent polls, commented: "It's as different as night from day. The Government will win and we need vast reforms, but there is a spirit of co-operation and respect that there never was before."

The most optimistic hope of the fractured opposition, however, was that it might make a serious symbolic dent in the domination of the Colorado party, whose tentacles have penetrated every corner of government since Gen Stroessner seized power in 1954.

Opinion polls have consistently indicated that Gen Rodriguez would win more than 60 per cent of the vote against some 20 per cent for his main challenger, Mr Domingo Laino, of the Authentic Liberal Radical Party.

In parallel congressional polling, the opposition is expected to do slightly better. But electoral rules weighed heavily in the Colorados' favour; in short, that the party with most votes automatically wins a two-thirds majority in the 72-seat House of Deputies and the 36-seat Senate, with the remainder divided proportionally.

Under strong pressure from the opposition, the electoral authorities last month re-opened voting lists for new registration and are now marking voters' fingers with indelible ink to prevent multiple voting.

While acknowledging Gen Rodriguez has taken significant steps towards introducing democracy, most obviously in ending press censorship and legalising political organisations, Mr Laino alleged in an eve-of-poll press conference that the outcome would amount to a "legal fraud" with widespread irregularities.

Despite the criticisms, however, many foreign diplomats in Asunción have expressed surprise at the extent to which Paraguay's new strongman has attempted to improve the country's international reputation.

Although for years a mainstay of the Stroessner regime, Gen Rodriguez has given assurances that full human rights will be restored and has tentatively begun investigations of some abuses.

He has promised to initiate constitutional reforms and to de-politicise the civil service and the armed forces.

In addition, Gen Rodriguez has undertaken to step down as head of state in 1993, introducing one-term presidencies in the future. He has stopped short, however, of legitimising Paraguay's clandestine Communist Party and has strongly denied reports that he will open long-closed diplomatic links with the Soviet Union and the Eastern bloc.

Paraguayan commentators believe that the true test of his government's commitment to democratic reform will only come when he is forced to respond to mounting pressure for land reform and growing industrial unrest.

Gen Rodriguez: confident of a successful outcome

Chilean opposition to decide on constitutional reform plan

By Barbara Durr in Santiago

THE CHILEAN opposition will decide today if it accepts proposals for a series of constitutional reforms made by the government late on Friday. The opposition's decision is crucial to proceeding with the reforms, though the government proposals fall short of what the 17-party coalition had asked for.

Amending the constitution is considered key to re-establishing a workable democracy in Chile.

After a squabble with General Augusto Pinochet over the breadth of the government reform package, Mr Carlos Caceres, the Interior Minister, said the government was willing to make 19 amendments to the 1980 constitution.

Although many are technical changes, the most important of the proposals are the redrafting of Article 8, outlawing Marxist groups, the reduction of congressional voting forums for future amendments to the charter, the curbing of the powers of the National Security Council and the addition of a civilian member to the council, elimination of the president's ability to dissolve the Chamber of Deputies or to send people into exile and the reduction of the next presidential term to four years instead of eight.

The government's proposals fail, however, to address one of the most important modifications called for by the opposition and the leading conservative party, National Renovation. They urged expanding the Senate to 50 members, all of whom would be directly elected. Under the current rules, the Senate will have 26 elected members and at least 9 appointed ones.

The Senate's composition is a critical factor in enabling the Congress to pass constitutional amendments or even the next government's legislative agenda.

Guimarães to stand in Brazilian poll

BRAZIL'S ruling party selected a centrist, Mr Ulysses Guimarães, as its candidate for the November 15 presidential election during a turbulent convention that ended on Sunday, AP reports from Brasilia.

The Brazilian Democratic Movement Party, with 200 federal congressmen, 35 senators, and 19 governors, is the country's largest party. As a result, Mr Guimarães will automatically become a serious contender, despite the public's sharp disapproval of President José Sarney's four-year-old government.

Mr Guimarães, a 72-year-old federal congressman, defeated Mr Waldir Pires, governor of the north-eastern state of Bahia and the choice of the party's "progressive" wing.

Delegates at the two-day convention were the party's representatives and senators, 88 members of the national directory and 400 special delegates chosen by regional directories.

Mr Guimarães was considered the party's "natural" candidate because he was its principal spokesman during most of the 21-year period of military rule that ended in 1985. He also served as party president for 18 years and led the Constituent Assembly when that body wrote Brazil's new civilian constitution.

But he had to overcome the strong resistance of influential party members who wanted a younger, more vigorous figure to represent them in the challenge against left-wing candidates.

Jackson may run for Mayor of Washington

By Lionel Barber in Washington

THE Rev Jesse Jackson is considering running for Mayor of Washington DC, a move that would probably remove him from the race for the Democratic presidential nomination in 1992.

Mr Jackson, one of the most exciting and controversial figures in the Democratic Party, has been looking to bolster his political standing since he lost the Democratic nomination.

Washington DC offers him a national platform and a chance to answer critics who say that for all his magical rhetoric, he has never been elected to public office. The other advantage is that Mr Jackson would be a near certain winner in the city which has a predominantly black population many of whom are disillusioned with their embattled three term Mayor Mr Marion Barry.

The problem is Mr Barry is a personal friend of Mr Jackson and an old time ally from the civil rights movement in the 1960s. He said publicly he will not run against Mr Barry, but the latter might be prepared to retire should Mr Jackson decide to stand.

Arafat's visit to France likely to stir protests

By Ian Davidson in Paris

MR Yassir Arafat's two-day visit to France, starting today, is likely to attract maximum media attention, and will continue to stir protests from the Jewish community in France as well as from the Israeli government. But it is less clear whether it will make any difference to the prospects of a Middle East settlement.

The chairman of the Palestine Liberation Organisation will seek French support for the Palestinian cause and for an international conference on the Arab-Israel dispute.

The French will be probing Mr Arafat's detailed explanations of the PLO's current position, especially in response to the proposals of the Israeli government for elections in the occupied territories.

But both sides know that France's real influence on the Arab-Israeli dispute is small. Today's talk with President François Mitterrand will be Mr Arafat's first meeting with a West European leader, and thus another significant symbolic step towards international acceptance for the PLO.

But the French Foreign Ministry says the official nature of the visit does not imply formal diplomatic recognition of the PLO, which according to French practice can only be accorded to a state in being.

● Syrian artillery has continued to fire shells into the coastal waters off the Christian port city of Byblos north of Beirut despite the four day old Arab League ceasefire, reports Lara Marlowe from Beirut. The shelling, which has caused no casualties, appears to be a symbolic gesture intended to put pressure on Christian General Michel Aoun to lift his blockade of illegal Moslem militia-run harbours.

Although the ceasefire communiqué announced that blockades were to be lifted "on all sea, land and air facilities", only the museum crossing on Beirut's green line has been opened.

OVERSEAS NEWS

Financial Times writers on the 1989 National Trade Estimates report, identifying trade practices seen by Washington as curbing exports

US lists countries whose trade barriers it wants dismantled

By Nancy Dunne in Washington

WITH the publication of its 214-page 1989 National Trade Estimates Report of foreign trade barriers, the US has taken the first step in a concerted effort to force its trading partners to dismantle foreign trade barriers.

The "inventory" is devoid of rhetoric: most of the cases are familiar. But the compilation, through its sheer length, dramatically illustrates what the US sees as a substantial loss of opportunity for US exports arising out of the trade barriers it describes.

This is the fourth annual report of its kind, but the new trade law has given it fresh prominence by establishing it as the reference work to be used by Ms Carla Hills, the US Trade Representative, when she activates the much feared "Super 301". Under the new law, the USTR will identify "priority practices" – those which harm US exports the most – and "priority countries", with the most numerous and pervasive barriers.

That designation is due on May 30; the prime candidates are thought to be Japan, Korea, Taiwan, Brazil, India, and the EC or West Germany. The US will seek to eliminate the most damaging market barriers over the next 12 to 18 months through negotiation, but talks can last as long as three years before retaliation is ordered.

The Trade Representative is not actually required to name anyone to the hit list; however, political pressure is intense to name Japan, at the very least.

The report singles out the following countries for alleged unfair trading practices:

JAPAN (US 1988 trade deficit $55.4bn)

Despite an 80 per cent share of the world supercomputer market, US vendors have not been able to penetrate the Japanese public sector supercomputer market. The only two purchases of US supercomputers by government entities came under a special 1987 import promotion budget.

Private companies may buy imported telecommunications satellites but government entities may not if such a purchase interferes with indigenous development objectives.

Single tendering for government procurement, particularly in such sectors as construction services and telecommunications, favours local suppliers.

It can take six years for a patent to be issued and four years to process a trademark, compared with only 13 months in the US. During the processing period, there is no penalty for infringement.

Japan's non-transparent, non-competitive bid and tender system has made it difficult for US companies to participate in big construction projects.

Two years after the US/Japan agreement on semiconductor trade, US market access objectives have not been met.

In 1987 Japan had an estimated $60bn (£35bn) market for computer parts and components. US manufacturers supplied less than 1 per cent.

KOREA (US 1988 trade deficit $9.9bn)

Korea's 1989 average tariff rate remains relatively high at 12.7 per cent.

All imports require an import licence; 547 items are subject to quotas or banned.

Restrictive standards have affected imports of cosmetics, food products, medical equipment, veterinary instruments, pharmaceutical products, electrical products and telecommunications equipment.

Fifty per cent offsets are required for big military procurements. The government has failed to establish non-discriminatory competitive procurement procedures.

Enforcement of intellectual property rights has been lax.

In those service sectors where foreign investment is allowed, cumbersome and arbitrary regulations often limit the scope of activities to those already provided by well established domestic competitors.

EUROPEAN COMMUNITY (US 1988 trade deficit $12.8bn)

Access to telecommunications market is limited in some states by government procurement practices.

Airbus subsidies remain a primary area of contention. There have also been allegations of unfair trade activities, such as intervention in third-country sales through political and economic inducement to promote Airbus sales.

The beef hormone ban has virtually eliminated US meat and meat products imports.

EC utilities and agencies often follow strong "buy national" policies. A lack of transparency on pending procurements and contract awards have shut US concerns substantial sales opportunities.

The US seeks an expansion of the quota or a substantial cut in the duty on softwood plywood.

TAIWAN (US 1988 trade deficit $14.1bn)

Average tariffs run about 12 per cent, ranging up to 40 to 50 per cent for agricultural goods.

Taiwan maintains a burdensome licensing system and restrictive standards and testing requirements, mostly for farm goods.

Laws protecting intellectual property protection are inadequately enforced.

Rice and sugar exports are indirectly subsidised through production incentives.

Foreign investment is prohibited in 55 industries.

BRAZIL (US 1988 trade deficit $5.7bn)

The new tariff schedule is still an average 37.4 per cent, with the top rate at 85 per cent.

The import licensing programme has severely curtailed US exports of steel products, textiles, telecommunications equipment, food products and aluminium products.

Company and sectoral quotas bar substantial import increases.

Federal, state and municipal governments follow a "buy national" policy.

Losses resulting from restrictive informatics policies have been substantial.

Licensing deters US aircraft sales.

Policies towards foreign direct investment are generally restrictive and discriminatory.

Trade in services is limited by investment laws, administrative nontransparency, other restrictions.

INDIA (US 1988 trade deficit $571m)

Tariffs are exceptionally high, especially for domestically-produced goods. Some 59 per cent of tariffs fall between 120 and 140 per cent.

Import licensing remains the most effective barrier, restricting imports of consumer goods, raw materials, components and spare parts and capital goods.

Government procurement practices are cumbersome and nontransparent.

Intellectual property protection is inadequate, and foreign investment and services trade severely restricted.

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Seoul warns against sanctions

By Our Foreign Staff

MR Han Seung-soo, South Korea's Trade Minister, said US charges that his country engaged in unfair trade practices were "incorrect" and warned that trade ties would be seriously harmed if Washington put Seoul on a sanctions hit list.

The US report failed to take account of South Korea's efforts to open up its markets and lacked objectivity, he said.

"Considerable portions [of the report] are incorrect," Mr Han said. "Some statements are different from fact and others cite figures whose bases are not clear.

"I make it clear that we reserve the right stipulated in the General Agreement on Tariffs and Trade if the US Trade Representative takes retaliatory measures against South Korea based on the trade barrier report announced on April 28."

In Taipei, Mr Vincent Siew, spokesman for the government Council for Economic Planning and Development, said: "We feel angry and regretful because the report is unfair and unacceptable."

Mr Siew said Taiwan had done more than other countries in the past two years to allow the appreciation of its currency, remove trade barriers, cut tariffs, and reduce its trade surplus with the US.

"It is unfair to treat us the same as Japan, South Korea and Brazil," said Mr Fredrick Chien, council chairman.

There was no immediate reaction from the European Commission, closed for the May Day holiday, but last week Mr Frans Andriessen, EC External Affairs Commissioner, said the EC would not enter bilateral negotiations under threat of sanctions over what the US claimed were unfair trade practices.

Washington 'misunderstanding' of Japanese system lamented

By Robert Thomson in Tokyo

MISUNDERSTANDING is the word Japanese companies and trade officials use most frequently to describe the US hit-list of alleged trade barriers. US officials, inspired by irritatingly high bilateral deficits, are said to misunderstand Japanese trade reforms, the Japanese distribution system, and, most crucially, Japanese consumers.

Apart from feeling misunderstood, Japanese industry and trade representatives are worried that US sentiment against the country is rising on the eve of the introduction of the much-heralded Super 301 trade provision, which will allow tougher action against "priority countries" thought to be playing dirty.

Japan is, of course, the country expected to be priority number one.

The Ministry of International Trade and Industry (Miti) said the report of Mrs Carla Hills, the US Trade Representative, listing 34 Japanese trade obstacles, was laced with "misunderstandings". The Foreign Ministry urged the implementation of Super 301 in a "fair and prudent manner", and asked the US "not to take Gatt-inconsistent unilateral measures".

The country's retail distribution system has become a central issue, though Mr Masaaki Fukiyama, secretary-general of the Japan Speciality Stores Association, said the growing criticism of the system was "quite strange".

Mr Fukiyama, whose members are part of the small shop system said by the US to be inefficient and to obstruct imports, suggested that "good products always sell well, whatever they are".

He advised that US businessmen should study the Japanese market more closely, and they must make the most of their business chances."

Japan's 1.6m small shops, accounting for an estimated 57 per cent of retail sales, are said by US officials to be virtually impenetrable, while Miti says that such criticism is misguided.

The Japanese government plans to make the establishment of larger stores, with a larger range of products, easier from an administrative point of view, but Miti says that shortening this "adjustment period" will not of itself increase imports.

Miti explained that supermarkets and the like have traditionally been forced to "adjust" their plans for new stores to protect the livelihood of smaller store owners, whose political influence has ensured the patronage of the Government. Miti said that a "vision" of an ideal distribution system was evolving, though explanations of this long-term "vision" by Mr Hiroshi Mitsuzuka, the Miti minister who is now in the US, are likely to test the patience of crusading US congressmen.

Their patience will also be tested by Japan's Ministry of Posts and Telecommunications, which suggests that foreign mobile telephone companies, in particular Motorola of the US, will have to wait about five years for a Tokyo radio frequency vacancy.

The ministry said that all available frequencies were at present being used by Japanese companies, and that even these companies did not have sufficient frequency space.

The US Trade Representative argues that Japan has violated agreements on telecom products by limiting access to US makers – the radio frequency problem is cited as a prime example – and has called for immediate changes, with the threat of punitive measures if there is no action.

However, Mr Sousuke Uno, the Japanese Foreign Minister, said that the US stand was "regrettable" and that Japan would considering filing a complaint with Gatt if sanctions were imposed.

"It may be considered that unilateral measures will be in contravention of the Gatt, and that this will adversely affect the efforts now being made by each contracting party to the Gatt at the Uruguay Round of trade negotiations to maintain and further strengthen the multilateral free trade system," Mr Uno said.

Among the other complaints made by the US was a criticism of the placement of and access to Japan's ubiquitous cigarette vending machines, problems said to hinder the ability of US manufacturers to display products.

Japan Tobacco, which accounts for about 88 per cent of local sales, said that all contracts for vending machines are made on a "commercial basis" with retailers. He emphasised that the joint-stock company, formerly a government monopoly, has no control over policy and expressed surprise that US officials to believe there is "no equality" in the market.

As for the patent system, condemned by US officials for the time taken to process applications, Miti said that the criticism was "very difficult to understand". He said the system was "very modern" and "we are trying to be very open".

Miti suggested that the Trade Representative's many "misunderstandings" show that Japan has to explain itself more clearly to the US and that the US has to take more time to examine the realities of Japan.

Setback for Indian missile plan as test launch is postponed

By K K Sharma in New Delhi

INDIA'S ambitious integrated missile development programme suffered yet another setback yesterday when the test launch of its indigenously designed and made intermediate-range ballistic missile, code-named "Agni" (fire), was postponed indefinitely following the detection of "data errors".

The controversial and widely-publicised test was to have been made at a special site at Chandipur-at-sea in the eastern state of Orissa.

This was the second postponement of the test. The first delay was caused when the missile failed to ignite during an attempted launch on April 20.

If successfully launched, the missile would give India the capability to land warheads 1,000 miles away.

The missile development programme is controversial because this kind of weapon cannot be launched with pinpoint accuracy and so is considered useful mainly for nuclear or chemical warfare, both of which India is said to oppose.

The programme has been strongly attacked in the US, which is discouraging Third World countries from developing such missiles. A move for trade sanctions against India has been initiated in Washington.

This is unlikely to be withdrawn, since India has merely postponed, and not abandoned, the test launch.

India has argued that such missiles are already available to China and other Asian countries such as Saudi Arabia, and it should therefore not be discriminated against by being asked to abandon its own efforts to develop them.

There is no move in India to give up the integrated missile development programme, which was initiated in 1983.

Applause for NZ economic reform

By Robin Pauley, Asia Editor

NEW Zealand's radical economic policies, enacted since the Labour Government took office in 1984, are given resounding approval in the latest survey of the country by the Paris-based Organisation for Economic Co-operation and Development.

The report, published yesterday, comes amid serious questions marks over whether the policies are to continue. Their architect, Mr Roger Douglas, was sacked as finance minister in December after a series of rows with Mr David Lange, the Prime Minister, and despite the Government's claims that it would stick with the thrust of "Rogernomics" there have already been signs of wavering, including some partial reversals of Mr Douglas's tax cuts.

The OECD report emphasises that there was little alternative in 1984 to Mr Douglas's decision to introduce wide reforms as fast as possible.

"The new Labour government was confronted with an economy weakened by protectionism, extensive government intervention and suppressed inflation. Macroeconomic imbalances were severe. Large government budget deficits had been allowed to persist from the mid-1970s, approaching almost 9 per cent of GDP by 1984. Unlike most other OECD countries, budget deficits increased further after the second oil shock, as policies were oriented towards cushioning the economy from high world oil prices and severely depressed non-oil commodity prices... Debts service expenditure claimed about 20 per cent of government revenue. The economy risked entering a vicious circle of uncontrollable deficits and debt."

The force of Mr Douglas's attempts to correct the position, including the abolition of many protective barriers and deregulation of the financial sector, produced some shocks to which New Zealand was unaccustomed, the most dangerous, politically, being a sharp rise in unemployment.

In fact, New Zealand went into recession in 1987, GDP falling by 2 per cent. Inflation fell sharply from the high teens to about 5 per cent and the annual rise of average weekly earnings fell from 17 per cent in 1987 to around 7 per cent in 1988.

The low point in output may now have been passed and the OECD predicts a steady but low level of real growth of GDP of just over 1 per cent in 1989 and 2 per cent in 1990. The gradual recovery will be driven by exports, buoyant terms of trade, strong productivity gains and a recovery in profits and business confidence.

Labour markets will remain weak, says the report. Restructuring of industry may lead to a further labour market shake-out, with employment projected to pick up only in 1990.

The report is ambivalent about whether the New Zealand experiment has suffered from the order in which different sectors of the economy were tackled. "The OECD has no common view on this matter," it says.

But it is arguable, with hindsight, that tackling the easiest sectors first was a mistake and the least responsive areas – labour market, prices in goods and industrial subsidies – should have had top priority rather than the softer options of agriculture and the financial markets.

However, the OECD is in no doubt that microeconomic reforms must be comprehensive and supported by stable macroeconomic policies. "Not only does broadly-based reform maximise the potential gains but it also ensures the burden of adjustment is more widely shared and is therefore fairer. This underlines the importance of continuing to broaden microeconomic reforms."

The report stresses that four years of extensive reform have put the New Zealand economy in a better position to achieve sustainable, non-inflationary growth than for decades.

"Maintaining the momentum of microeconomic reform by further reductions in import protection and by a continued attack on restrictive practices in the non-tradeable sector [the largest component of which is government services] and in the labour market would enhance New Zealand's economic prospects."

Referring obliquely to signs that Mr Lange, under intense political pressure, especially from the left wing of his party, may be back-tracking on economic policy, the OECD report concludes that it would be "particularly unfortunate if confidence in the government's economic strategy were to be undermined at this stage. In particular, allowing the budget deficit to drift higher again in 1989-90 would have serious adverse effects on confidence."

OECD Economic Surveys 1988-89: New Zealand; FFr50; OECD Publications, 2 rue André-Pascal, 75775 Paris CEDEX 16.

NEW ZEALAND'S ECONOMY (Annual percentage change)

	1988†	1989‡	1990‡
Private consumption	-0.8	1.2	1.7
Government consumption	-2.0	-1.5	-1.2
Gross fixed investment	-1.6	3.5	4.4
Public	1.0	3.0	3.7
Private	-2.7	3.7	4.8
Final domestic demand	-1.2	1.4	2.0
Stock building	-0.6	0.0	0.0
Total domestic demand	-1.7	1.4	2.0
Exports	3.4	3.4	4.2
Imports	-2.3	3.5	4.2
Foreign balance	2.2	-0.2	-0.1
GDP	0.5	1.3	1.9

† OECD estimate ‡ Forecast

Source: OECD

Sudan rebels announce ceasefire

SUDANESE rebels, in a surprise move, yesterday declared an immediate one-month ceasefire in their fight against government forces, Reuter reports from Khartoum.

Radio SPLA, voice of the Sudan People's Liberation Army, said in a broadcast monitored in Nairobi that the ceasefire had been declared by Col John Garang, the SPLA leader.

"I reciprocate the call of [Sudanese Prime Minister] Sadeq al-Mahdi by declaring a ceasefire starting at 1500 hours today and unless extended to expire at 1500 hours on May 31," he was quoted as saying.

During the ceasefire, government troops and SPLA forces will remain in their positions awaiting government implementation of a peace plan agreed last year between the rebels and the Democratic Unionist Party (DUP), a partner in Mr al-Mahdi's government, the radio said.

Col Garang said he was declaring the ceasefire "because of our wish to usher the Sudan into a new era of peace and prosperity and the concern we have for our long suffering people".

Col Garang, whose forces have seized more than 12 garrison towns in the past four months, said that although Mr al-Mahdi accepted the DUP-SPLA accord, the government had so far "done absolutely nothing to implement the plan".

Kenyan Vice-President quits after confidence vote

KENYA'S Vice-President Josephat Karanja, under siege for allegedly undermining President Daniel arap Moi, resigned last night, state radio said, Reuter reports from Nairobi.

Voice of Kenya interrupted its programmes to announce Mr Karanja's resignation, which had been expected since parliamentarians passed a vote of no confidence in him last Thursday.

The radio said Mr Moi had appointed Finance Minister George Saitoti as the new vice-president.

Mr Karanja, 58, appointed in March last year, was accused by MPs of receiving financial assistance from Uganda to topple Mr Moi's 10-year-old government.

He denied the charges.

The radio said Mr Karanja, a distinguished academic and Kenya's first ambassador to Britain after independence in 1963, had also resigned as deputy president in the ruling Kenya African National Union party.

He said he had resigned because of "unrelenting hostilities and pressure particularly from my colleagues in the government".

Gunmen kill S African civil rights activist

A MASKED gunman shot dead a white South African civil rights activist outside his Johannesburg home yesterday, police said, Reuter reports from Johannesburg.

Mr David Webster, a university lecturer, had just parked outside his house when an unidentified gunman opened fire from a moving car.

Mr Webster, 44, was a former leading member of the Detainees' Parents Support Committee, an organisation committed to ending detention without trial under South Africa's two-year-old emergency laws.

Bhutto treads an unsteady path through political minefields

The Islamic world's first female Prime Minister has been in office for six months. Christina Lamb looks at her record

BENAZIR BHUTTO is well aware that there is no rule demanding fairy-tales must have happy endings. When Pakistan's favourite pinup captured the world's imagination by winning an 11½-year struggle against dictatorship to become the first woman to head an Islamic state, she knew things would not be easy. Stepping into the office of Prime Minister – at 35, her first job – she said: "There are mines everywhere."

The army and bureaucracy, which for long held the reins of power, reluctantly let her assume office in December, imposing conditions which meant they retained real control while she took the responsibility and attracted much-needed foreign aid to keep the armed forces in F16s.

There was a further sour note. Ms Bhutto's People's Party (PPP), which had hoped to sweep November's polls, secured little over a third of the votes and won a majority only in the province of Sind.

In the party's former stronghold of Punjab, home to 60 per cent of the population, she watched Nawaz Sharif, leader of the opposition Islamic Democratic Alliance (IDA), take power. In Baluchistan, the PPP entered an uneasy coalition with the IDA, and in the Frontier with the leftist Awami National Party (ANP), which vehemently opposes Pakistan's Afghan policy. Even in Sind it was forced to enter a coalition with MQM, an ethnic party whose national seats were needed to form a majority in the country's Parliament.

Six months on, many believe Ms Bhutto is already stepping on the mines. Within 15 days of her taking office, the Baluchistan assembly was dissolved, eventually reinstated by courts in January, forming a new government of several parties, including the IDA but without the PPP.

Attention turned to Punjab, where for the first time in Pakistan's history a different party rules from that of the centre. On taking office, Ms Bhutto thought Nawaz Sharif would survive two months, yet in January's Punjab by-elections the IDA took seven out of nine seats.

Punjabi federal ministers, envying the grassroots patronage Mr Sharif wields as chief minister, began a widely publicised "Get Nawaz" campaign, both sides issuing vitriolic statements and bribing each other's assembly members.

Matters came to a head in March when the PPP proposed a no-confidence vote in Mr Sharif. It was left humiliated when he pre-empted it with a vote of confidence, increasing his majority.

Crying "political victimisation", Mr Sharif fared even better in subsequent by-elections, gaining new support from Punjabis who felt their previously dominant province was being hard done by. He said: "In November we lost in the slums. Within five months we're winning there too".

Ms Bhutto's government lifted a ban on forming trade unions for employees of Pakistan International Airlines and the state-run broadcast industry in a package of reforms announced yesterday by Mukhtar Ahmed Awan, Labour Minister, AP reports.

Despite a meeting between Mr Sharif and Ms Bhutto and strong warnings from the President and army chief, the situation has worsened, even the Prime Minister and her mother joining in accusations of wheat smuggling. Mr Sharif, who says "Only one of us can survive", countered that she was brought to power by a Zionist lobby.

Punjab is not the PPP's only problem. The Frontier government is hostage to 10 recently-recruited dissident IDA members after ANP walked out, claiming the PPP had broken its promise to appoint an ANP governor.

In Sind too, Pakistan's most volatile province, all is not well. In the cities, killings continue and curfew is a way of life. The accord with MQM is strained, with MQM chief Altaf Hussein accusing the PPP of "trying to cheat us", while many PPP members claim MQM is behind recent killings to blackmail the government.

In interior Sind, whose massive mandate ensured the PPP victory, dissatisfaction is rife. "They should not forget the house they came from", warns Shazia Abbasi, a Sindhi editor.

Cynics say the only place the PPP control is the capital, yet talk there is far from Ms Bhutto's early days when she acted swiftly to "remove the cobwebs of martial law", releasing political prisoners, removing bans on unions and for the first time allowing the opposition on TV. Even these steps backfired; the country faced a wave of investment-deterring strikes, including a potentially crippling stoppage by pilots of Pakistan International Airlines which has already cost the country $1m.

Facing high expectations and myriad problems, the government has passed no legislation, seeing opposition on every front. The war in Afghanistan threatens to become long-term, the economy is in tatters from years of extravagant living, the population of 103m will double in the next 20 years.

Family planning having been declared unIslamic, drastic action would soon have the mullahs on the streets and Ms Bhutto knows too well that while the religious parties cannot win elections they can bring down governments.

Last week Ms Bhutto launched the Rs2bn (£60m) People's Works Programme, a countrywide development scheme to be administered by party officials, virtually bypassing provincial governments. Nawaz Sharif and Akbar Bugti, Baluchistan chief minister, argue this is illegal and will appeal to the Supreme Court.

So what is going wrong? Western diplomats say inexperience. After the party's long struggle against martial law, Ms Bhutto has a lot of people to reward and has allowed loyalty to outweigh merit and finances in appointing Pakistan's biggest ever cabinet of 43 members and 37 advisers. Her mother is Senior Minister and even her husband has an office in her secretariat, inviting allegations of corruption.

Javed Jabbar, the flamboyant Information Minister, says: "We never specified a time-frame for solving the problems. We are literally having to restart a cranky old machine. Where we could move quickly, as in freeing the media, we moved immediately."

A former minister, Dr Mehbubul Haq, argues: "The PPP is devoting all its time to converting a limited mandate into absolute power." The problem obsessing the party is that if it cannot gain strength in the majority province of Punjab it has little hope of winning future elections.

Cambodian talks raise fresh peace hopes

By John Murray Brown in Jakarta

THE CAMBODIAN peace process is revived today, when Prince Norodom Sihanouk, leader of the Cambodian resistance coalition, and Mr Hun Sen, Prime Minister of the Vietnamese-installed Government in Phnom Penh, begin talks in Jakarta.

The 67-year-old Prince, once ruler of this former French colony, appeared in conciliatory mood on arrival in the Indonesian capital, promising concessions and raising prospects for a possible breakthrough to this ten-year conflict.

The meeting, the third between these two old enemies, is likely to concentrate on the role of a peace-keeping force to monitor elections in the wake of Vietnam's troop withdrawal now set to be completed in September.

The parties also have to consider in the event of a settlement how to neutralise the estimated 40,000 Khmer Rouge guerrillas, the strongest resistance force fighting Vietnam's occupation from bases near the border with Thailand.

It was under the brutal three-year regime of Khmer Rouge leader, Mr Pol Pot, that an estimated 2m Cambodians were killed, prompting Vietnam's original invasion on Christmas Day, 1978.

Prince Sihanouk on Sunday urged the Khmer Rouge leadership to have frank discussions with Mr Hun Sen.

Under Soviet pressure, Vietnam announced last month that it would advance the final withdrawal timetable, with all troops now set to leave Cambodia by September.

Today's talks come ahead of the scheduled summit later this month between Soviet leader, Mr Mikhail Gorbachev, and the aging Chinese leader, Mr Deng Xiaoping. China has been the main backer of the three-party resistance.

Prince Sihanouk earlier demanded that the Heng Samrin regime in Phnom Penh be dismantled prior to elections as part of any comprehensive peace settlement. However, he urged this week Mr Hun Sen "to give me the possibility to make progress with at least a partial solution."

The Prince also confirmed he no longer insisted that United Nations' troops oversee the withdrawal. Phnom Penh earlier proposed that three countries – Poland, Canada and India – provide such a force.

● The People's Republic of Kampuchea established after the 1978 Vietnamese invasion, has changed its name to the State of Cambodia, Mr Hun Sen said yesterday. He said parliament in Phnom Penh agreed on the change on Sunday as part of concessions to help settle a 10-year conflict with opposition guerrillas.

He was speaking in Bangkok on his way to talks in Jakarta with the two non-communist opposition leaders Prince Norodom Sihanouk and Son Sann.

Sihanouk: may offer fresh concessions

Hun Sen signals a businesslike line

Roger Matthews in Bangkok profiles Phnom Penh's nimble leader

MR HUN SEN, the youthful Prime Minister of communist Cambodia, is beginning to sound like a born-again capitalist.

He sent a video-taped message to an international conference in Bangkok last Friday notable primarily for repetition of words and phrases such as liberalisation, economic management, foreign investment law, repatriation of profits and capital, tax exemptions and import substitution industries.

"The important factor is not ideology . . . but to promote the economic development of the country," he said without any apparent embarrassment.

To the cynical, and perhaps to some member countries of the Association of South East Asian Nations, the words were not just devoid of meaning. Worse, they were designed to mislead the outside world into believing, first, that Vietnam is preparing a complete pullout from Cambodia at the end of September, and second, that Mr Hun Sen is his own man and not the once-and-future puppet of the Vietnamese government.

The truth, as ever, may lie somewhere in between, with the fast-evolving Hun Sen himself having to accommodate the shifting relationships between Mr Gorbachev's new-style Soviet Union and Vietnam, and perhaps more importantly, attempting to anticipate the impact of the forthcoming Moscow-Peking summit.

For a man of only 38, Hun Sen is already practised in the horrors of war and the realities of superpower politics.

Like most politically influential people in today's Phnom Penh, Hun Sen was born the son of a peasant. His official biography has him attending secondary school in Phnom Penh before joining the communist movement which overthrew Prince Sihanouk in March 1970.

In the subsequent struggle against the American-backed Lon Nol regime, Hun Sen rose rapidly through the insurgency ranks to become a deputy regional commander, the position he held when the Khmer Rouge seized power in 1975. By 1977 he had "clearly understood the traitorous manoeuvres and activities of the reactionary Pol Pot" and, according to the official account, "opposed the savage genocidal orders aimed at the Cambodian people."

Hun Sen: forced to look over his shoulder

Exactly what Hun Sen's attitude was during the initial stages of the Pol Pot massacres is unclear. Apologists stress that Hun Sen was in the eastern part of the country where the regime's excesses were less pronounced. Certainly he became uncomfortable at the strong anti-Vietnamese tone of Pol Pot.

After Hanoi invaded in 1979, Hun Sen was appointed Foreign Minister, joined the Central Committee and Politburo, and then became Prime Minister in 1985, thereby underlining the considerable trust placed in him by the Vietnamese.

Those who have spent time with him do not doubt his cleverness and are impressed by the speed with which he has absorbed the intricacies of international politics.

His constant emphasis on Cambodian nationalism has persuaded some people that he is his own man. Prince Sihanouk, who is scheduled to meet Hun Sen again today in Jakarta, can speak almost warmly of him.

Yet, there are also very stubborn doubts about Hun Sen. These may be eased only if the government he represents is willing to concede more of the conditions required by Prince Sihanouk and his international supporters, aimed an ensuring a total Vietnamese withdrawal and the election of a government which enjoys the support of the Cambodian people.

In return, it will also have to be accepted that Hun Sen has a central role to play in Phnom Penh for many years to come – assuming, that is, his newly-acquired economic vocabulary can be translated into political facts.

Hanoi proposes body to push Indochina growth

By Roger Matthews in Bangkok

VIETNAM proposed yesterday that an international secretariat should be set up in Thailand to co-ordinate the economic development of the countries of Indochina.

The suggestion was made by Mr Nguyen Co Thach, the Vietnamese deputy Prime Minister and Foreign Minister, and came in response to Thailand's stated ambition of becoming the region's economic hub following what it hopes will be the peaceful resolution of the Cambodian issue later this year.

Mr Tach said he believed it was important that Bangkok should co-ordinate efforts at regional economic co-operation. The new body which he proposed would initially carry out studies into trade, banking and customs regulations to pave the way for a series of bilateral agreements between Vietnam, Laos, Kampuchea and Thailand.

General Chatichai Choonhavan, Thailand's Prime Minister, had said earlier that there had to be an end to the situation of "two south-East Asias". This, he asserted, would come about through trade and inter-dependent economic development.

General Chatichai's enthusiasm for turning Indochina from a war zone into a trade zone – the title of yesterday's one-day conference in Bangkok attended by representatives from all four countries – has been greeted with scepticism and anxiety by some of Thailand's partners within the Association of South East Asian Nations.

They believe that Vietnam has first to make good its pledge to withdraw all its forces from Kampuchea before there can be any moves towards economic co-operation.

Over 800 die in Bangladesh tornado

The death toll from the tornado that ripped through central Bangladesh last week passed 800 yesterday after searchers found 14 bodies in ruined houses and two more people died of injuries, officials said, AP reports from Dhaka.

Officials at the Tornado Control Room said the bodies were found in the district of Manikganj, some 25 miles northwest of Dhaka, which bore the brunt of the storm.

At least two people critically injured by the tornado died in Dhaka's Medical College Hospital, the officials said, raising the number of deaths to 802.

At least 12,000 people were injured and 130,000 left homeless after the tornado raged through Manikganj on Wednesday night, sending people, houses, and trees flying.

Residents say the storm probably caused more than 1,000 deaths because 400 people officially listed as missing were believed dead.

Police arrest 6,600 in Seoul

Militant labour groups yesterday called for major protests after the government arrested some 6,600 people to block a May Day rally in Seoul, AP reports from Seoul.

The National Headquarters for Labor Struggle, an alliance of militant trade unions, said it would hold a rally in the southern port of Masan on Thursday and warned there would be violence if police attempted to block it. Police said yesterday about 6,600 people were arrested in Seoul during the weekend.

S Korean trade deficit

South Korea registered a trade deficit for the second consecutive month in April, the Trade and Industry Ministry reported yesterday, AP reports from Seoul.

The April deficit of $23m was up from $5m in March, and contrasted sharply with a surplus of $422m in April last year. Officials said South Korean exports in April rose 3.1 per cent from a year ago to $4.77bn while imports rose 14 per cent to $4.80bn.

Taiwan minister in Peking

A Taiwan delegation arrived in China yesterday to attend a meeting of the Asian Development Bank on the first visit by Nationalist officials to the Chinese mainland since 1949, AP reports from Taipei.

Ms Shirley Kuo, Finance Minister, waved and smiled after stepping off a plane from Tokyo for the bank's annual meeting, which starts on Thursday.

Ms Kuo, former deputy governor of Taiwan's central bank, has said she would not hold talks with Chinese officials during her stay and she gave no hint of a change in that position.

Bhutto lifts ban

Prime Minister Benazir Bhutto's government lifted a ban on forming trade unions for employees of Pakistan International Airlines and the state-run broadcast industry in a package of reforms announced yesterday, AP reports from Islamabad.

Mukhtar Ahmed Awan, Labour Minister in Ms. Bhutto's People's Party cabinet, announced the measures, which also included a new wage arbitration board for newspaper employees and increased benefits for workers' widows and families.

Nepal looks to China

Nepal, whose economy is in near collapse because of a trade feud with India, will ask China for petroleum and other essential goods, Finance Minister Bharat Bahadur Pradhan said yesterday.

"I am hopeful our friends will help us in the hour of this economic crisis," he said.

TAKESHITA LEAVES FOR SOUTH EAST ASIA

Disgraced Japanese premier makes his last official trip

By Ian Rodger and Stefan Wagstyl in Tokyo

JAPANESE diplomats have been putting a brave face on the unseemly sight of a disgraced Prime Minister and his Foreign Minister carrying on with Japan's annual spring diplomatic offensive.

At the weekend Mr Noboru Takeshita, the Prime Minister, took off on a nine day tour of five south east Asian countries and Mr Sosuke Uno, the Foreign Minister, left for the Soviet Union, Mongolia and China.

"Our friends abroad know that there is consistency and continuity in our foreign policy," one foreign ministry official said in Tokyo last week. But behind the unruffled diplomatic facade, considerable anxiety was aroused in the Foreign Ministry on Tuesday when Mr Takeshita announced he would resign within the next few weeks. He let it be known that he wanted to cancel his trip. According to Foreign Office officials he was eventually talked into going by Mr Uno.

Mr Takeshita is understood to have proposed that another minister go in his place and the foreign ministry objected violently. The ministry said that if he did not go, the only replacement could be a senior ministry official, appointed as a special ambassador, whereupon Mr Takeshita decided he would go after all.

A number of South East Asian countries are not happy with the prospect of receiving a disgraced and lame duck prime minister but, as supplicants for Japanese aid, there is not much they can say. To an outsider, the simple solution would have been for the Japanese government to postpone the trip till a later date. However, it might have been hard to find a later date. Japanese ministers cannot leave the country while the Diet (parliament) is in session and so the only time they can get away is during national holidays, such as next week's golden week.

Last year at this time, Mr Takeshita flew to London to unveil a new foreign policy for "contributing to the world" and Mr Sosuke Uno, the foreign minister dashed around South East Asian countries offering to represent their views at the Economic Summit of leading industrial nations.

This time the objectives are more modest, which is perhaps just as well. An official said Mr Takeshita's trip to Thailand, Malaysia, Singapore, Indonesia and the Philippines would consist mainly of meetings with prime ministers and dinners.

No new aid plans or other lavish gifts would be offered to his hosts although he would make an important speech in Jakarta on May 6 on building mature relations between Japan and South East Asian nations. Early last week, Japanese newspapers reported that a "Takeshita doctrine" would be unveiled, but that label tended to disappear as the week progressed.

As for Mr Uno's trip, it will again concentrate on the long running dispute over Soviet occupation of four islands north of Hokkaido at the end of the second world war.

The dispute has prevented the two countries from concluding a peace treaty and hampers the development of normal social and economic relations. Japanese officials have been encouraged by an increase in high level bilateral contacts in recent months, but they have no delusions. As one put it last week: "There is no immediate perspective, to say the least, that within the near future our views would converge in a dramatic manner."

Police break up protest over wages in Manila

PHILIPPINE riot police fired tear gas bombs yesterday to disperse thousands of May Day protesters demanding higher wages and the removal of US military bases, Reuter reports from Manila.

Police and protest leaders said 70 people were hurt after about 5,000 people marching to the US embassy fought police with rocks, bottles and metal pellets fired from slings.

A protest spokesman said 20 people were arrested. Police said they freed all but one who was booked for breach of peace. About 1,500 protesters later held a brief rally near the presidential palace to condemn police dispersal of the embassy marchers.

The US has 23,000 service personnel in the Philippines and says the bases are important for defence of the Indian and Pacific oceans.

Tens of thousands of workers took part in another set of demonstrations across the country, mounting the largest labour protest against the government of President Corazon Aquino. They demanded a 47 per cent wage increase, as well as an end to US military bases in the Philippines.

In the biggest rally, 60,000 protesters gathered in Manila and threatened a national strike if the pay demand was not met.

Riot police took up position near Mrs Aquino's presidential palace after she rejected union demands for a 30 peso rise in the daily minimum wage of 64 pesos. The most the government could recommend was a 15 peso a day rise in Manila and 6 pesos in the rest of the country, she said.

Mrs Aquino said the pay demand would undermine the economic recovery of the Philippines.

"Legislating a minimum wage that will drive up prices beyond our control and reduce prospects for employment will deprive most workers of the opportunity to enjoy the benefits of growth," Mrs Aquino said.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION (1985 = 100)

	Mar '89	Feb '89	Jan '89	Mar '88	% change over previous year
US	114.0	114.0	114.0	108.9	+4.7
Japan	122.1	117.1	119.1	112.3	+8.7
	Feb '89	Jan '89	Dec '88	Feb '88	
UK	109.0	109.3	110.5	106.7	+2.2
W. Germany	111.0	110.7	109.3	105.3	+5.4
France	109.7	110.5	109.7	105.6	+3.9
Netherlands	104.0	103.3	103.3	100.4	+3.6

Source: (except US) Eurostat

SHIPPING REPORT

Flurry of tanker activity in the Middle East

By Kevin Brown, Transport Correspondent

BUSINESS was quieter in the tanker market last week, but a flurry of activity in the Middle East loading area prevented any serious fall in rates.

There was little interest in the spot market, but a number of charters took tonnage on time charter for up to two years at what were said to be relatively healthy rates.

Brokers noted that much of this tonnage will continue to compete for business in the spot market, however, which means that charterers are betting on a fairly rapid improvement in rates if they are to cover their costs.

Most of the single voyage fixtures were in the Middle East, where 20 very large and ultra large crude carriers of around 5.25m deadweight tonnes were fixed.

However, brokers said 71 vessels of 18.5m dwt were available in the area up to the end of May, indicating that the sheer weight of tonnage on station will tend to prevent rates from rising quickly.

Charterers were paying around New Worldscale 37.5 last week for both eastern and western destinations, with a premium of 2.5 points for the Red Sea.

Demand for 80,000 dwt vessels was reasonable. One charterer paid NWS 127.5 for 84,000 dwt to Australia, and a cargo of 80,000 tons to Singapore was fixed at NWS 107.5.

Lawyers rule out partnerships of mixed professions

By Robert Rice

THE Law Society has come down firmly against the Government's proposal to allow solicitors to enter into mixed partnerships with other professionals, such as accountants and barristers.

In its final response to the Green Papers (discussion documents) on reform of the legal profession, published yesterday, the society said mixed partnerships would undermine the network of solicitors' firms around the country, threaten client confidentiality and create insoluble conflicts of interest.

The society, the professional body for solicitors in England and Wales, also confirmed its total opposition to the proposal to allow banks and building societies to do conveyancing for their own borrowers.

Morever, it expressed fears that the powers of a proposed Advisory Committee on Education and Conduct were too sweeping and represented a potentially dangerous accumulation of power in the hands of a government minister.

Mr Richard Gaskell, the society's president, said yesterday that solicitors recognised a need for change. It was felt throughont the country. The society was not against change and there were many of the Government's proposals which it welcomed, such as extended rights of audience for solicitors and the appointment of solicitors as High Court judges.

It had consulted every practising solicitor and sought to oppose only those proposals which it believed would damage the interests of their clients, he said.

Mixed partnerships would pose a threat to the provision of legal services because they would absorb much of the more commercially attractive cases, leaving small practices with insufficient profitable work to remain in the community and provide an effective service to individuals and families.

With a confusion of different professional rules within a mixed partnership, regulation would be extremely complicated. It would also be much harder for clients to pursue a complaint when things went wrong.

The society pointed out that most European bars did not permit mixed partnerships because of the difficulty of preserving the independence of the lawyer within such a practice.

There was a danger that if English solicitors were allowed to enter into such arrangements this would provide grounds for other member states to refuse to allow them to practise as lawyers in the rest of the European Community. This could be very damaging to the profession in the run-up to 1992.

Removal of the statutory ban on mixed practice would also expose any rules made by the society to scrutiny by the proposed new Competition Authority. Narrow economic criteria of competition were inadequate measures of the effect mixed practices could have on the administration of justice, it said.

The society, however, remains in favour of lifting the statutory ban on multi-national partnerships of lawyers.

The Government's proposal to permit financial institutions to provide conveyancing services would be used primarily by their estate agency subsidiaries, the society claims.

This would deprive house-buyers of independent advice and would lead to unfair competition, driving many smaller solicitors' firms out of business.

If the Government does not amend its proposals on conveyancing and mixed partnerships serious damage will be done to the network of independent solicitors' firms on which the public depends for legal advice, it says.

In a separate report published yesterday, the Adam Smith Institute, the free market research body, gave a warning of a litigation explosion if lawyers were allowed to enter into "no win, no pay" contingency fee arrangements with clients. A litigation explosion would become an unwelcome burden on business.

The report by Mr Peter Young cited examples of how the promise of large pay-offs from contingency fees had led lawyers in the US to pursue absurd claims. Lawyers in Britain are no less avaricious, he said. "Given half a chance, they too will try to hit the jackpot by descending on every solvent defendant like swarms of African bees."

Appraisal pay schemes 'mainly for managers'

By Fiona Thompson, Labour Staff

PERFORMANCE-related pay in the public sector has spread dramatically in the past few years but is still largely confined to managerial staff, according to a report published today.

The report, based on research carried out by Incomes Data Services for management consultants Coopers & Lybrand, finds that the main reason for introducing performance-related pay (PRP) is to "foster a performance culture."

Just under one quarter of the local authorities in England and Wales have or are planning PRP schemes and in central government nearly all staff are subject to some form of performance element in their pay.

Central government employs about 400,000 staff.

The National Health Service, the water industry and public transport also have some staff covered by PRP.

Most of the organisations have devised target-based appraisal schemes, with the emphasis on a mutual setting of targets by the appraisor and the employee. Many organisations consider this process more valuable than any link with pay.

The survey looked at the US, where PRP has been a feature of the public sector for a number of years, but it found a number of potential pitfalls.

A tendency for staff to be marked at higher levels each year resulted in the link between performance and reward being progressively weakened.

However, adopting a system of fixed budgets accompanied by the use of quotas, to avoid such difficulties, meant that the credibility of the scheme was undermined.

The experience is relevant to Britain, the report says, because some public sector organisations have also adopted fixed budgets or quotas to control costs.

On the question of appraisal, many of the British organisations recognised that performance judgments were inevitable subjective.

Paying for Performance in the Public Sector, IDS Public Sector Unit, 193 St John Street, London EC1V 4LS. £20.

Securities watchdog sets out details of new disclosure rules

By Barry Riley

TWO KINDS of document, one described as a buyer's guide and the other as a company brochure, are to become key elements of the Securities and Investments Board's plans for disclosure of commissions and other information to buyers of investment products such as life assurance policies.

The SIB is planning to unveil details later this month of the disclosure regime which is to be introduced at the beginning of next year. It will replace the present "soft" disclosure rules under which only indirect details of commissions are passed on by intermediaries to their clients.

The buyer's guide, running to no more than both sides of a single sheet of paper, will be designed to be handed to clients at the earliest possible moment, before they sign proposal forms. When business is conducted over the telephone the guide must be posted immediately.

According to SIB officials, it will be a simple, "user-friendly" document setting out the key considerations which the SIB considers investment clients should be aware of. So-called "status disclosure" – whether the intermediary is an independent adviser, or whether he is employed by or tied to a single company – will be an important element.

The guide will remind clients of their cancellation rights, and will warn them to look at tables of surrender values when these arrive with later policy documents. It will also bring to their attention the percentage commission information which will similarly be included with later documents – but only when the sale is through an independent intermediary.

SIB is proposing a document to cover these subjects because it is not confident that word-of-mouth disclosures could be relied upon.

The buyer's guide will be a standardised document produced by the regulators. One version, from Fimbra, one of the self-regulatory organisations to which the SIB delegated powers, will be distributed by independent intermediaries. Another will be produced by Lautro, the SRO which covers tied agents and company salesmen.

If good progress is made in drawing up the guide, SIB officials may well insist that it is introduced during the second half of the year, before the January 1 deadline for the new disclosure regime as a whole.

Whereas the buyer's guide will be a simple document intended for the general public, the company brochure will be aimed at professional users.

Each company will produce its own brochure, and there will be considerable flexibility within an overall framework to be laid down by the regulators.

Essential elements will include details of the expenses of the life company, information about investment performance, a financial statement including details about solvency, and a section on the company's strategy.

The aim is to make it possible for skilled practitioners to come to judgments about the merits of different companies in a way which is at present very difficult, because of the scarcity of information and the lack of comparability.

It is recognised, however, that the information is unlikely to be readily understood by the average investor.

Birthday for rules, Page 19

UK truck drivers 'among lowest paid'

By Fiona Thompson, Labour Staff

A SURVEY of the pay and conditions of heavy goods vehicle drivers in nine European countries has shown that only drivers in France and Spain are paid less than those in the UK.

The analysis appears in Bargaining Report, publicised by Labour Research, the independent, trade union funded research organisation.

The basic weekly pay before overtime or shift payments of UK drivers is £124, compared with £234 in Denmark, £172 in the Netherlands, £156 in West Germany, £151 in Belgium, £147 in Italy, and £132 in Ireland. In France, drivers are paid £106 and in Spain £90.

The study also examines the impact on the profession of proposals and regulation changes resulting from the creation of a single European market in 1992.

The decision to abolish national controls on international haulage (the transport of goods between one EC country and another) was taken last year. More drivers will work outside their own country.

As yet there is no agreement on cabotage, where an operator based in one country carries goods between two locations in another, but one would have to be achieved to create a single market, the study says. An agreement on this would be the most important element in increasing road transport competition.

UK NEWS

Ministries clash over school job 'compacts'

By David Thomas, Education Correspondent

A ROW between three government departments about schools' links with business has forced ministers to alter their plans for the future of Britain's training institutions.

The row is about compacts, which are agreements between local employers and schools guaranteeing jobs plus training to pupils reaching agreed standards of achievement. It has considerable implications for the links between schools and employers.

The Department of Employment, which has taken the lead on compacts, was so impressed with the first example of this initiative in the East End of London that it is helping to fund 40 compacts in deprived urban areas.

Last December, when the department announced the establishment of employer-driven Training and Enterprise Councils to co-ordinate training at local level, it was widely assumed that TECs would take responsibility for the compacts.

The white paper announcing the TECs said that they would have a central role in building partnerships between employers, schools and colleges, allowing education and training programmes to be dovetailed.

However, after its publication, the Department of Education and Science objected strongly to the implication that TECs would run compacts.

The Education Department argued that since TECs are to be employer-dominated, they must not be responsible for compacts, which are supposed to be partnerships between schools and employers.

The Education Department was keen not to endorse any arrangement that might fuel suspicions still held by many teachers of closer business-education links. The Department of Trade and Industry backed those arguments.

Mr Kenneth Baker, Education Secretary, wrote to Mr Norman Fowler, Employment Secretary, setting out the objections of both the Education and Industry departments.

It is understood that the Employment Department has now bowed to the arguments and that compacts are unlikely to fall under the remit of TECs.

The argument makes it less likely that TECs will have a central role in co-ordinating the links between local business and schools. It might also make the dovetailing of vocational education with employer-based training more difficult.

The Education, Employment and Industry departments, all with some responsibility for business-education links, are rivals in the field.

Training specialist's warning, Page 11

Training to be stepped up

By Alan Pike

MOST COMPANIES plan to step up training in the face of growing recruitment difficulties although spending on training remains low, according to an Institute of Directors survey published today.

Nearly half the companies questioned said it had become more difficult to recruit experienced and skilled employees in the past 18 months, while 30 per cent had found it harder to recruit young people.

In response, 68 per cent of companies expect their expenditure on training to increase over the next 12 months, with a slightly higher proportion – 70 per cent – predicting a rise in training spending in 1990-91.

But the increase will be taking place from a relatively low base.

A total of 37 per cent of companies included in the survey spend the equivalent of less than 1 per cent of their total labour costs on training, and in 20 per cent of those companies, spending is below 0.5 per cent of labour costs.

Only 13 per cent of companies said that their training expenditure equalled more than 5 per cent of labour costs.

Labour call for projects to test NHS changes

By Michael Cassell, Political Correspondent

LABOUR WILL today renew its attack on the Government's proposals for reforming the National Health Service when they are debated in the Commons for the first time since the white paper about them was published in January.

Encouraged by evidence of increasing public antagonism towards the proposals, the Opposition is to use its own parliamentary time to call a debate on the future of the NHS. Mr Kenneth Clarke, Health Secretary, will head the Government's defence.

Mr Robin Cook, shadow health secretary, yesterday called on the Government to reduce the pace of the planned changes, to test its proposals by introducing pilot schemes and to postpone any legislation until after the next general election. Today's debate will be on a motion reflecting Mr Cook's suggestions.

He said: "The Commons is the only place in Britain where Mr Clarke can now hope to get a majority for his white paper proposals."

Evidence that plans for the NHS are alienating traditional Tory voters has emerged during the Vale of Glamorgan by-election campaign. The latest Gallup-Daily Telegraph poll puts Labour at 49 per cent and the Tories at 38 per cent.

Tory backbenchers are becoming increasingly concerned over the highly critical feedback from constituents, and they will expect Mr Clarke to mount a confident and convincing account of the reform's expected benefits.

Mr Cook claimed that Mr Clarke was in an "impossible dilemma," with the medical profession blocking his path forward and the Prime Minister standing behind him "ready to have his scalp."

Mr Cook called on the Health Secretary to test his proposals by locating hospitals and doctors willing to conduct pilot projects.

He said any hospitals that became self-governing as the result of ballots would be allowed to retain that status by a Labour government.

Fuse burns slowly on the health bomb

John Mason looks at the marginal effect of NHS reforms on county council elections

THE COUNTY council election results will be examined closely by politicians and pundits alike to test public reaction to one of the Government's most controversial measures – the proposals of Mr Kenneth Clarke, the Health Secretary, to put the National Health Service on a more businesslike footing.

In the Vale of Glamorgan by-election, the white paper proposals have proved to be the top concern among voters, with Labour fighting hard on the issue.

But, away from such high-profile campaigns, it seems that the issue is burning with a slower fuse.

Mr Clarke may be conducting a bruising public argument with the doctors' professional bodies, while the opposition parties capitalise on the issue, but indications are that at doorstep level across the country the implications of the reforms are only now beginning to sink in.

The reason for this appears to be that doctors themselves, whether working in general practice or large general hospitals, are still sifting through the white paper and other government documents for a detailed explanation of how they are likely to be affected.

The situation is well illustrated by the county council election campaign in County Durham – one of Labour's traditional strongholds.

Majority opinion among local GPs appears generally hostile to the reforms – in particular, the option that some will be given to operate within their own budgets.

Dr Ian Stewart is part of a large, modern practice based at Ferryhill, close to the county's old coal-mining belt. He and his six colleagues have 16,500 patients on their books, putting them well over the 11,000 minimum limit set by the white paper for opting to run their own budget. However, they are highly unlikely to take up the offer.

Dr Spencer, a member of the local Family Practitioner Committee, sees "strands of gold" in the proposals, such as the emphasis on new initiatives on preventive medicine. But he rejects outright the concept of running his own budget.

Like many other GPs, he is suspicious of government assurances that this would remain voluntary and suspects that in time it will be forced on most general practices whether they want it or not.

Dr Spencer is also concerned that the budgets would be set at acceptable levels to begin with, then gradually trimmed and trimmed again each year.

He says it is still unclear how the proposals would operate in practice. While the Government has said budgets will be adjusted to cope with exceptional needs, such as a larger than normal proportion of elderly patients, he would have difficulty in deciding the treatment for routine ailments such as shingles.

A five-day course of treatment now costs £117. With shingles unlikely to be regarded as an exceptional illness, he expects to find it hard to decide which patients to send for treatment.

He said running his own budget would mean more time spent managing the accounts and less on his patients – which is not why he entered medicine. He also echoed fears that the trust between GP and patient would be undermined by the budget.

Kenneth Clarke: faces a bruising public argument

The white paper reform more likely to be taken up in the county is hospitals opting for self-governing status.

The Northern Regional Health Authority has already set up a unit to manage the proposals and hospitals contemplating joining the first wave of those to become self-governing have been given until next Monday to show their interest.

But the option is far from a simple one, as Mr Peter Stewart, Darlington District Health Authority's director of review and development, explained.

The main hospital in his area, the Darlington Memorial, is a 600-bed acute unit offering some services such as ear, nose and throat treatment, to other districts. That makes it the type of hospital considered most likely to opt to become self-governing.

It will not take part in the first round of "opting-out" because it is now in the middle of implementing a complex information technology programme. However, the matter will soon be on the agenda.

Mr Stewart said self-governing status might have both advantages and disadvantages at Darlington Memorial.

Leaner and more efficient management should be possible, but a question mark is at least hung over the future of some services. Accident and emergency departments are clearly essential, but they are also among the most expensive to operate.

Running a nursing school is equally essential, but again might present difficulties when hospital managements become more business-minded, since the nurses, when trained, could leave for other areas.

Nobody is suggesting that such services would or could disappear, but Mr Stewart said that precisely how they would be run and funded under self-governing status would require much more consideration.

He acknowledged concern among doctors over the proposal but said change would only occur with the support of clinical staff. Whatever decisions were made about the hospital's future would have to be taken with the health needs of Darlington paramount, he said.

Mrs Sheila Brown, the leader of the county's Conservative councillors, strongly defended the reforms, but agreed that the Government was limited politically as to how far it could go. The public demanded that the NHS was protected, she said.

On the ground, then, it appears that the NHS reform issue is only at its phoney war stage. This is reflected in the campaigning now going on for the election.

Labour is defending its traditional domination of the county – it has 48 seats compared with the Social and Liberal Democrats' eight, Conservatives' six, Independents' nine and the SDP with just one.

The anticipated inevitability of the outcome has ensured a quiet campaign. If there is a key issue, it is the Labour administration's record on attracting new companies to replace the thousands of local jobs lost when traditional industries such as coal and engineering declined.

Both county and district councillors in Sedgefield were responsible for a significant local and national success in attracting Fujitsu, the Japanese semi-conductor manufacturer, to a green-field site at Newton Aycliffe.

The £400m investment will create 1,500 direct jobs and considerable knock-on employment. Labour councillors see such a large and prestigious investor as a turning point in their attempts to rebuild the local manufacturing base.

As they sit in a room thick with cigarette smoke, offering guests a celebratory beer while they expand proudly on the project's implications for the local economy, the reasons become clear why the NHS reform issue can take a back seat.

Plessey-Siemens link in traffic system bid

By Terry Dodsworth, Industrial Editor

IN THE midst of the bitter takeover battle for Plessey, the UK electronics group has joined up with one of its two antagonists to bid for a contract against the other.

Plessey is collaborating with Siemens, the West German company, and the Automobile Association in an effort to win the licence to operate a pilot traffic guidance system in London. Its main opponent for the Department of Transport contract is likely to be the General Electric Company, Siemens' partner in the planned takeover bid for Plessey.

Decisions on the planned Autoguide network are expected shortly after extensive work since plans for the pilot scheme were announced about a year ago. The Plessey-Siemens consortium, which has just lodged its proposal with the Government, has already carried out trials on its own network in London.

Autoguide is aimed at speeding up city traffic by planning traffic routes for drivers that keep them clear of bottlenecks. Streetside beacons keep a constant record of road use, which is then analysed by computers.

Plessey claims to be the largest traffic systems company in Western Europe after deals in France and Spain just before GEC and Siemens announced their initial bid for the company in November. Those agreements, with Elsydel in France and SICE in Spain, gave the UK group a turnover of about £100m in the sector.

Siemens, which is working on a similar project in West Berlin, conducted much of the early research into traffic guidance technology. Under the terms of the Monopolies and Mergers Commission recommendations on the proposed bid for Plessey, Siemens would acquire sole ownership of the traffic systems division to provide competition for GEC in the UK market.

Sponsorship for CBI conference

THE NATIONAL conference of the Confederation of British Industry in Harrogate in November is to be sponsored by Hewlett-Packard. This is the first sponsorship deal the CBI has arranged to cover the entire conference.

Hewlett-Packard is to provide equipment for delegates and the media.

Sponsorship at previous CBI conferences has been limited to specific events, products and fringe meetings. Several of them will continue.

UK NEWS

Companies' return on assets up 18%

By Terry Dodsworth, Industrial Editor

UK COMPANIES increased their return on assets by 18 per cent last year, helped by the general level of business demand, higher prices and increased productivity.

According to a survey published today by Dun and Bradstreet, the business information company, Britain's 100,000 leading companies made a median return on capital last year of 15.8 per cent, up from 13.4 per cent in the previous 12 months. In 1986, the same companies earned only 12.9 per cent on their capital.

Companies in the FT 100 Industrials Index achieved a significantly higher return of 20 per cent. That was np from 17.4 per cent in 1987 and 16.9 per cent in the previous year.

Mr Geoffrey Smith, the consultant who conducted the survey, says there was little change last year in the sales that companies were achieving for each £1 of assets. But as the asset base increased after the surge in investment, the rate of profits per employee rose significantly.

"The survey indicates that putting capital behind employees pays off," Mr Smith said.

In every part of British industry, Mr Smith added, there were some companies that were performing excellently. Bnt each sector also had a number of very poor businesses and about 500 quoted companies were last year earning less than bank rate on their capital.

The poorest return last year was in the property sector, where companies made only 6 per cent on capital. Agriculture and mining also performed badly, with returns of 10 per cent and 10.9 per cent respectively.

Construction, however, had a bumper year, with returns of 19.3 per cent, while services earned the highest rate at 19.7 per cent. Manufacturing generated a return of 15.5 per cent on capital, up from 13.8 per cent in the previous year.

Mr Smith said the figures highlighted the high level of profits per employee in the industrial and commercial companies in the FT 100 Index. At the same time, he warned about pay increases. "In seven of the sectors," he said, "the level of profits could be reduced by 30 per cent if 5 per cent pay rises are not supported by prodnctivity improvements, or there is a fall in levels of sales activity."

Key Business Ratios. Dun and Bradstreet, 26-32 Clifton Street, London EC2P 2LY. (£165).

Business writers open clarity campaign

By Raymond Snoddy

ONE OF the founders of Private Eye, the satirical magazine, has joined an advertising copywriter and a Church of England lay reader to help to stamp out jargon, cliché and circumlocution in business communications.

They have formed The Company Writers, an organisation dedicated to the idea that large companies need the skills of a writer as they do a lawyer or an accountant.

Mr Richard Whatmore, non-executive chairman of The Company Writers, is an accountant whose business interests extend from property and smoked salmon to investing in film production.

"The impact of an awful lot of business language is reduced by clichés, jargon and circumlocutions," he says. The aim of the company is to create a serious business framework for commercial writing – an area largely dominated by individual freelances.

In its first month, clients inclnded Imperial Chemical Industries, Ford, American Express, Morgan Grenfell, the English Tourist Board and Yamaichi International.

"We are a service for large companies," Mr Whatmore says. "I don't think we are a service for small or even medium companies."

The Company Writers charge about £400 a day and specialise in writing speeches, brochures and annual reports.

Its writers include Mr Andrew Osmond, who still owns 5 per cent of Private Eye; Mr Tim Leon, whose career in advertising has included agencies such as McCann Ericson, Foote Cone and Belding and Dorlands; and Mr Graham Jones, a Church of England lay reader who has been an English teacher and a full-time commercial writer since 1980.

Mr Whatmore says: "Good English is good business." He hopes to expand the company both regionally in the UK and internationally.

Spoilers set Enterprise Oil its toughest test as a deal maker

Steven Butler disentangles a $1.4bn assets dispute

EVEN BEFORE Enterprise Oil proved last year that it could find oil with a drillbit, it had earned a formidable reputation as a shrewd deal maker.

That skill put the company on a firm path of growth after it had been created from the oil assets of British Gas, then in the public sector, and privatised in 1985 with an oil production profile in steep decline. Enterprise is now the biggest quoted pure oil exploration and production company in the world, with production set to rise steeply until at least the middle of the 1990s.

Its skill as a deal maker – its ability to bargain and call the bluff of its adversaries – is now being pnt to its most severe test.

On Friday British Gas and Amerada Hess, the US oil company, moved in as spoilers on a $1.4bn deal that Enterprise had clinched on Marcb 1 with Texas Eastern, the US gas transmission company that had agreed to be taken over by Panhandle Eastern, its competitor.

The deal, as originally concluded, pushed Enterprise's reserves over 1bn barrels and gave it a broad spread of prime exploration acreage in the UK and Norway.

Now the UK part of the deal, valued at $961m plus interest from January 1, is in jeopardy. British Gas and Amerada Hess have served notice that they will exercise pre-emption rights. That means that they will exercise rights allowing them to buy Texas Eastern North Sea, the UK subsidiary of Texas Eastern, at the price at which Enterprise valued the company for the deal. They will thus take the deal away from Enterprise.

The story, however, does not stop there. All three companies have embarked on a path fraught with risk.

The Enterprise position is clear. "We do not recognise that they have pre-emption rights," Mr Julian West, head of business development at Enterprise, explains.

Mr Sam Laidlaw, managing director of Amerada Hess in the UK, however, puts the issues rather differently: "The agreement [about pre-emption rights] is relatively clear-cut and straightforward. The problem is that the agreement does not give a very large percentage share to Enterprise."

The agreement in dispnte was drawn up in 1965 between British Gas, Texas Eastern, Amerada Hess and Amoco when the four decided to explore for oil as a group in the North Sea.

It included an unnsual clause giving pre-emption rights to the partners over shares of the UK subsidiaries of each company, should the subsidiaries be sold. Pre-emption clauses for North Sea exploration usually cover only sales of interests in licence blocks.

Since the 1965 agreement, however, all of the partners have to some extent gone their own way, ending up in a variety of licence groups, with different interests, raising questions about how the original agreement is to be interpreted in light of today's reality.

Mr Laidlaw says that while interpretation of the original agreement is mathematically complex, the principles are unambiguous. British Gas and Amerada Hess have reached agreement on the point. One party to the agreement said that several years ago the group had informally considered scrapping the provision. It rejected the idea, however.

The trick will be to offer Enterprise enough to persuade *it to keep* the dispute out of the courts

Mr West declined to describe Enterprise's grounds for dispnting the rights, citing the possibility that the affair might end up in court. Texas Eastern is understood to have been advised by its counsel that the rights are unenforceable.

The complexities do not stop there, because Enterprise considers itself party to the rights to the extent that they are valid. On Friday, Enterprise pre-empted its own deal, saying that it was doing so "without accepting that pre-emption rights exist, but to protect its own position."

The Enterprise rights derive from the fact that its assets came from British Gas. Mr Laidlaw says, however, that it is at least open to question whether the rights came along with the assets, because Enterprise was never party to the original agreement.

That, he said, was something to be settled between Enterprise and British Gas, and in principle did not affect the Amerada Hess position.

The choice before Enterprise Oil is therefore rather stark. If the matter went to court the company might, after a long and costly battle, walk away with the entire deal. If Enterprise lost, it might come away with nothing or very little.

Mr Laidlaw and certainly British Gas recognise that position, and say they want to be flexible to reach a settlement out of court. That would provide for a division of the shares of Texas Eastern North Sea among the three companies, agreement on an interim management arrangement, and an eventual method of dividing the assets of the company.

The trick for British Gas and Amerada Hess is to offer enough to Enterprise to give it an incentive to keep the dispnte out of court.

Enterprise, however, has given no hint that it will play along. Mr West says British Gas and Amerada Hess have made plain that they want assets, not minority shares of a company. He says they have no rights to assets, adding that Enterprise will not bargain away those of Texas Eastern. The most he will say is that Enterprise recognises the two companies' desire for assets and may consider selling some from its portfolio.

It is here that Enterprise's bargaining skills will be put to the test. Enterprise will have to decide, in particular, whether its old rival British Gas has the nerve to see such a matter dealt with in court. British Gas, too, might walk away with nothing.

After repeated mishaps for British Gas in the mergers and acquisition area, that would serve only to call into further question the ability of British Gas to operate effectively in the private sector. It would raise more doubts abont the new leadership regime headed by Mr Robert Evans.

The companies are expected to meet this week. "We have to do them the courtesy of finding out what they are interested in," Mr West says. "If we can't reach agreement, we all know where it will end up."

Welsh site for £2m optics plant

By Anthony Moreton

FIOX IS to build a £2m fibre-optics plant at Port Talbot in South Wales. Mr Gerald Clark, managing director, said yesterday that the factory would help the company become a world leader in fused fibre optics.

That covers optical fibres fused into solid blocks from which a wide range of components is made. They are claimed to have unique image-carrying properties.

They are used increasingly in military, medical and commercial uses. They can be used, for instance, in night-vision goggles for helicopter pilots, allowing them to fly without radar assistance.

Another area is "keyhole surgery" that can give a clear view of minute details of the human body, allowing complex operations with a local anaesthetic.

"Demand for fibre optics is nothing short of phenomenal," Mr Clark said. "But it is being satisfied from America. That is about to change." Fiox is being assisted by a £200,000 investment from the Welsh Development Agency as part of a syndicate led by Oakland Investment Management.

Civil Service managers 'need better information system'

By Hazel Duffy

MINISTERS and top civil servants are being handicapped in their efforts to make the Civil Service more management-oriented, according to a report published today. It says the systems feeding them information on what is happening in their departments are inadequate.

Effective top management systems have not been introduced in most departments, the report says. It concludes: "The current systems are of little continuing value for the purposes of top management information systems and should be radically rethought."

The main obstacle is that too much information goes to top management. That leads to failure to use the information for management decisions and to provide feedback.

Mr Michael Heseltine, MP, who initiated the project jointly with the PA Consulting group, takes a more political view.

At the Department of the Environment 10 years ago, he pioneered Minis, the system held to be the first designed to improve the flow of information to ministers. Work done in the early stages on Minis forms the basis for the systems in most other departments.

Michael Heseltine: 'systems have to be imposed'

In a preface to the report, he says Minis "had to be imposed upon an unwilling bureaucracy. Even now the contrast between departments is unacceptable. Some have tried and are still trying; others are not."

He says that Mrs Margaret Thatcher, the Prime Minister, who has championed the promotion of management in the Civil Service, should now sanction a progress audit of the systems adopted by other departments.

"In truth, effective management systems do not evolve or merely emerge: they are imposed. That is the first lesson. Then they have to be monitored, and the more effective the scrutiny, the more effective will be the system."

The authors of the report, who were advised by a panel of experts from business and the public sector, recommend that Mrs Thatcher name a minister, probably in the Treasury since there must be a strong link with the public expenditure system, to take charge of a programme that would ensure that standards in Whitehall are consistent and effective.

The role of top management divides into:
- Management of the political process;
- Provision of policy advice and programme design;
- Monitoring of executive tasks.

For the last, new monitoring techniques and systems of evaluation will be required. The capacity to use them will be the key to the top management information system that is needed.

Ulster jobs meeting in Washington

By Our Belfast Correspondent

MR TOM KING, Northern Ireland Secretary, briefed Irish-American politicians in Washington yesterday on the forthcoming legislation seeking to create fairer employment practices in Ulster.

Mr King, who is on a six-day visit to the US, emphasised the Government's commitment to fair employment in Northern Ireland by spelling out the rigorous religious monitoring that Ulster companies will have to follow wben the Fair Employment Bill becomes law.

He was also speaking against the controversial MacBride principles, whicb have been adopted by 11 US states, and which critics say promote reverse discrimination.

Mr King's visit is partly aimed at countering the campaign hy Irisb-American groups to encourage US companies to disinvest in Northern Ireland because of alleged employment discrimination against tbe nationalist community.

Later this week in Montreal Mr King will meet executives of Bombardier, the Canadian group bidding for Short Brothers, the Belfast aerospace company.

Bombardier and a consortium of GEC-Fokker submitted their final bids for Shorts before Sunday's deadline.

The Government will examine both bids before choosing new owners. The decision is expected within the next three months.

Up to 700 employees at Short Brothers are to be made redundant in a restructuring before privetisetion. Union leaders claimed at the weekend that up to 10 per cent of the company's workforce might be paid off.

The company confirmed that a staffing review was under way hut declined to comment on possible job losses.

Exam centre for Cardiff

By Anthony Moreton, Welsh Correspondent

THE International Baccalaureate Organisation, which sets examinations for schools in 60 countries, is to move its British headquarters to Cardiff.

The body, which has its international centre in Geneva and is perhaps best known for the French exam system, has been based in Bath University until now. It has taken a building on the Welsh Development Agency's business park in Cardiff.

The organisation has outgrown its space and Dr Roger Peel, director general, said Cardiff had been chosen because of "its easy access and good communications to London."

International Baccalaureate was founded 25 years ago and has several offices.

UK NEWS

Science 'in good health as economy grows'

By David Fishlock, Science Editor

THE IDEA that science is sick is demolished in a report published today by the Centre for Policy Studies, a London-based think tank.

British schoolchildren need to be rescued from the "Save British Science" campaign founded by discontented Oxford scientists, for it is an excellent time to be taking up science, argues Dr Terence Kealey, of Cambridge University.

Dr Kealey, a lecturer in clinical biochemistry, says that by the mid 1990s, university lecturers recruited in the expansion of the 1960s will be retiring, creating thousands of posts.

"Furthermore, the remarkable expansion of the British economy will create even more research jobs in industry and consequent investment in science."

Universities have constantly claimed they ought to be expanding but lack of government funds prevents them educating more undergraduates.

In fact, 15 per cent of all undergradnates are being admitted with less than three grade Cs at A level – a standard too low, many dons concede privately, for most students to benefit from a British university education, he says.

Dr Kealey contends that the governments of Mr Harold Macmillan, Mr Harold Wilson and Mr Edward Heath enjoyed considerable academic support but were disastrous for Britain, hence for the universities.

The government of Mrs Margaret Thatcher had restored some of the universities' autonomy and presided over a doubling of university research workers, yet was hated by the universities. "It almost makes ona question tha valua of higher education," he concludes.

His recommendations for reinvigorating British science include a 10-yearly review of permanent academic staff and re-application against open competition for those who appear to be unsatisfactory.

Another is that all academic staff, of whatever grade, should be free to negotiate their salary with their employer.

Dr Kealey also wants that part of the science budget currently administered by the Universities Funding Council (formerly the University Grants Committee) to be transferred to the research councils.

Science fiction - and the true way to save British science. Policy Study No. 105. Centre for Policy Studies, 8 Wilfred Street, London SW1E 6PL. (£4.95).

Usdaw delegates vote to drop strict unilateralism

By John Gapper

DELEGATES at the annual conference of the Usdaw distributive trades union voted yesterday to support efforts by the Labour Party to take advantage of any opportunities for "multilateral, bilateral and unilateral disarmament."

That is a form of words approved by Mr Neil Kinnock, the party leader. The Usdaw vote at Blackpool gave further union support to his efforts to move the party away from a policy of strictly unilateral nuclear disarmament.

The union has until now backed strict unilateralism, although it cast its block vote at last year's Labour conference in favour of both a unilateralist motion and one favouring a mixture of strategies.

A number of unions are expected to shift towards a less strict version of unilateralism at conferences this summer. The Nupe public employees' union is to consider a change.

The Labour policy review is expected to move the party's defence policy away from strict unilateralism.

Mr Garfield Davies, Usdaw general secretary, said the union had to recognise that the world was changing rapidly and that moves by Mr Mikhail Gorbachev, the Soviet leader, to reduce nuclear arms gave new opportunities.

Ms Audrey Wise, Labour MP for Preston, said at the conference that a unilateralist policy had never been adequately projected "because there have been too many people in high places who have sabotaged it."

Istel flotation rethink

By Hugo Dixon

ISTEL, the UK information technology services company, is having second thoughts about floating itself on the Stock Exchange.

When the company was spun out of the Rover Group in an employee buy-out in 1987, its intention was to seek a flotation by 1991. However, concerns that that might leave it open to a takeover by a hostile predator have led Istel's board to reconsider the plan. It has appointed Broadview Associates, a financial advisory company specialising in information technology, and Robert Fleming, the merchant bank, to help formulate its future strategy.

One alternative to a flotation would be to sell Istel to a large friendly multinational, which would give it sufficient funds to develop its business.

Shotgun law statement expected from Hurd

By Michael Cassell, Political Correspondent

MR DOUGLAS HURD, Home Secretary, is likely to make a Commons statement today after calls for further tightening of shotgun laws in the wake of the weekend shooting incident in Tyne and Wear.

A man was killed and 14 people were hurt when a gunman opened fire with a double-barrelled shotgun in Monkseaton, near Whitley Bay. Mr Robert Sartin, a 22-year-old local man, was last night charged with murder.

Mr Roy Hattersley, shadow home secretary, said yesterday it was likely that new legislation would have to be considered to tighten firearms security and certification.

Mr Hurd, who has asked for a full police report into the shootings, is likely to face calls from backbench MPs to consider whether the recently passed Firearms Amendment Act provides for tight enough controls over the issuing of gun licences and the storage of weapons.

The act will not be fully in force until July, when the section covering licences is enacted. New restrictions on the ownership and use of self-loading, pump-action guns are already operating.

Mr Douglas Hogg, junior Home Office minister, speaking on BBC radio yesterday, said the act had introduced measures to tighten gun controls and the circumstances in which people could keep guns in "a very comprehensive" way. It was not possible, however, to legislate against the "isolated act of a madman."

Mr Hattersley said the Government had a duty to reconsider the recent legislation.

Barlow Clowes court hearing resumes today

By Richard Waters

THE LIQUIDATORS of Barlow Clowes return to court today in an attempt to disentangle the rival claims of different groups of investors in the company, a year after it failed.

The hearing, expected to last four days, should smooth the way to a further payment to the investors in Barlow Clowes Gilt Managers, the UK fund.

Most of these investors have already received a quarter of their money back, while some have had three quarters.

The court will hear an application from Ernst & Whinney, liquidator of Barlow Clowes International, the offshore fund, seeking to establish that up to £16m of BCI gilts found their way into the UK fund. If it succeeds, that will reduce the pot of money available to the UK investors.

For its part, Cork Gully, liquidator of BCGM, is trying to establish that up to £10m found its way from the UK into the offshore fund.

Outlook bullish for the electronic market

Computer systems are taking over the world's leading bourses, reports Alan Cane

STOCK EXCHANGE plans to develop a coherent set of trading snpport services, now being disseminated to member firms, are on one level simply a logical extension of the inexorabls move to electronic trading that began in the 1970s with the distribution of jobber's quotes by television and which, after the Big Bang in 1986, resulted in the virtual desertion of the London trading floor.

On a more profound level, they show that the exchange clearly understands how precarious its position might become if its competitors – which include compnter and information services companies such as Reuters as well as other exchanges – are able to outpace it in the race to provide an electronic marketplace where computers handle every aspect of trading after bargains have been struck.

A number of US stockhrokers, indeed, are already using computer systems that trade antomatically once a predetermined stock price is reached; such programmed trading systems were implicated in the speed with which the US stock markets fell in October 1987.

Mr George Hayter, tha exchange's head of information and settlement services, plays down the battle for "electronic imperialism," pointing instead to the need in London to cut costs and risk and lay a better foundation for changes in rules and trading procedures.

He agrees, however, that competition is never far from his mind: "I suppose there is a race, in a sense. A lot of exchanges are watching each other to see if they can improve on the other fellow's electronic marketplaces. Up to now the UK has held the lead in Europe but the others are beginning to respond.

"We have a market, we know it works and it has the support of the membership, bnt electronics is lowering the barriers internationally and that means competition. We know the onus is on us to ensure the exchange maintains a competitive advantage and the developments we are planning are a way of maintaining our lead."

The consultative document or "green paper" that the exchange authorities have been issuing over the past week to all 450 member firms is a blueprint for an integrated electronic marketplace – a single, overall trading service where four kinds of instrument, domestic and international equities, gilts and traded options, can be traded through a set of services that share a single common information systems architecture.

That means that where the same set of functions need to be performed in different markets – checking details from buyer and seller, for example – one common set of checking facilities only would be needed.

There would be common coding standards for securities, connterparties, transaction/bargain references and other codes generated within the system. And there would be a single link between member firms and the exchange – a single communications channel with one set of rules for connection and communication. A single terminal or computer system should be able to initiate any function of the trading services.

Put simply, the market would appear to member firms as an electronic hlack box to which they would be linked hy a standard telecommunications channel. Stock prices and information would be disseminated from the market place; bargains, once initiated, would vanish into the hlack box, to appear later, checked,

George Hayter: wants to improve trading methods

matched and ready to be fed into the settlement process.

The henefits to memhers would include, the exchange says:

- A reduction in unit trading costs through integrated access that would reduce communications costs, single entry of trade details and automatic execution.
- Trading risks wonld he reduced hy faster trade confirmation and an improvement in the information availahle on the status of orders and trades.
- An opportunity to cut tha cost of systems development and maintenance hy the reduction in the number of services that have to be supported and the provision of a single data entry point for all trading processes.

The way in which the exchange has gone about planning its electronic marketplace emphasises a substantial change of attitude within its council and subcommittees.

First, it is huilding on its existing services rather than – as was the intention immediately after Big Bang – redesigning the whole system from scratch.

Existing services include Seaq and Seaq International, the domestic and international price dissemination services, Saef, the automatic small order execution system and Checking and Seoual, the trade matching services.

Those were huilt piecemeal when they were demanded and often against tough time constraints. The green paper proposes a three to five-year timescale to make these services converge.

Second, it is attempting to involve its memher firms in the decision-making process in an unprecedentedly open way. "What are your views on the principle of one overall trading service encompassing all the [Stock Exchange] markets?" the green paper asks. "What are your views on the importance of the proposed benefits? Would your firm be willing to assist us in the subsequent stages of this work?"

Mr David Lister, head of business direction, and Ms Joan Hardie, manager of the business analysis services division, who are the principal authors of the green paper, say it is an exciting departure. Members had been consulted on the development of individual services before, hut never on such a hroad front.

"We are not an island, far from it," Mr Hayter adds. "Everything we do now has to be capahle of commanding a consensus."

There is, however, a sense of urgency, reflected in the date of May 12 the exchange has set for replies to the proposals. The proposals are, in a sense, the sxchange authorities' answer to what the role of the exchange should be in a world where share trading is increasingly carried out through series of electronic blips travelling down telecommunications lines and where, with the abandonment of the trading floor, there is no symbolic physical centre to the market.

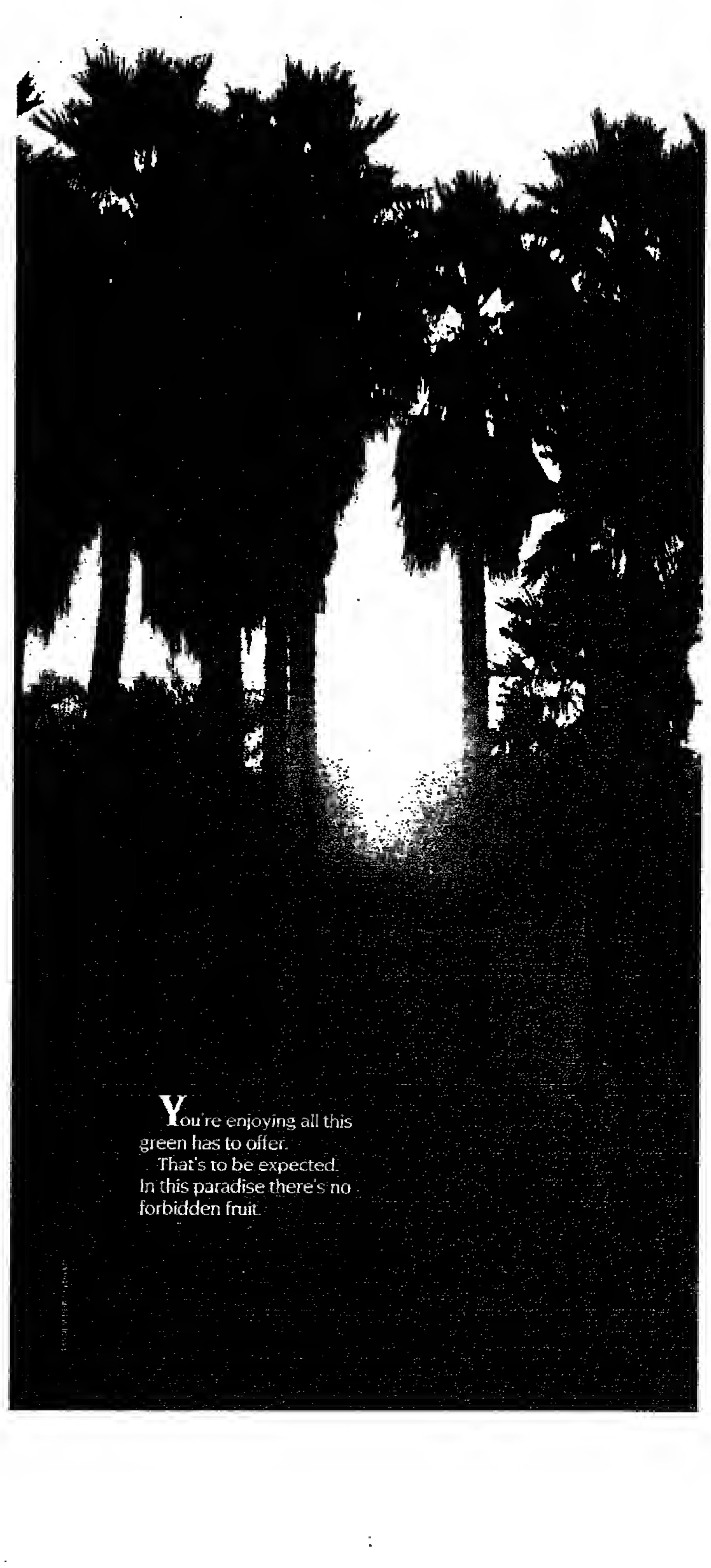
Some markets, the Nasdaq over-the-counter market in the US, for example, have never had a trading floor. Others, such as New York, which still depend on human specialists to match bid and offer are increasingly feeling the need for automation to enahle it to continue operating after trading hours.

Mr Hayter says the Stock Exchange is looking for ways in which it can collaborate with Nasdaq (on which London's Seaq is modelled) and Instinet, the electronic system offered hy Reuters.

But every stock exchange management knows the competitive advantage that can accrue from setting the standards for electronic trading rather than following a competitor's lead.

There is intense activity around the world as companies and exchanges jockey for position. Reuters of the UK and Telerate of the US are examples of quote vendors with hroader amhitions. The Chicago Mercantile Exchange and futures exchanges in New York, Paris and Sydney are working on Globex, an electronic futures exchange. Nasdaq is already offering electronic trading in London.

London, with its screen-based trading system, may have, as Mr Andrew Hugh Smith, exchange chairman, claimed earlier this year, advantages over floor-hased markets such as New York and Tokyo. But electronics is a great leveller. The green paper may not be a moment too soon if London is to hold its position in international markets.



DIARY DATES

FINANCIAL

YESTERDAY

DIVIDEND AND INTEREST PAYMENTS–

AMEC 3.25p
Do. new 3.00958p
APV 3.15pc Pf 1.575p
Do. 4.55pc Pf 2.275p
Do. 5.25pc Pf 2.625p
American Tel & Tel 30cts
American Information Techn. 73cts
Anglo American Indl. 5⅝pc Pf 1.30756p
BET 4½pc Deb 2¼pc
BTP Pf 3.75p
Bell Atlantic 110cts
Bellsouth 63cts
Bristol Corp 3½pc Deb 1.75pc
British Inv Tst 5¼pc Pf 1.8375p
British Mohair 6pc Pf 2.1p
British Shoe 6½pc Pf 2.275p
Brown & Tawse 7pc Pf 2.45p
Cowan, de Groot 10½pc Pf 5.25p
Cresta 1p
Edinburgh Inv. Tst. 7½pc Deb 1995 3¾pc
ELF UK 12¼pc Ln 1981 6⅛pc
Export Dev. Corp. 10⅝pc Nts 1/5/90 5 5/16pc
Ferranti Intl. Signal 3.85pc Pf 1.925p
Genfinance NV 11.81pc Ln 2007 5.905pc
Do. 11.31pc Ln 2007 (Reg) 5.655pc
Do. 11.49pc Ln 2007 5.745pc
Glaxo 7¾pc Ln 1985/95 3⅞pc
Govett Atlantic Inv. Tst. 5pc Deb 1985/90 2½pc
Guaranteed N. Ireland 4½pc Bds 2¼pc
Hardys & Hansons 5pc Pf 1.75p
Do. Irrd 4pc Deb 2pc
Intl. Stock Exchange of UK & Rep of Ir. 10⅛pc Mtg 2016 5 1/16pc
Jacques Vert 9.5p
Lamont 6pc Pf 1.05p
Do. 5.6pc Pf 2.8p
Do. 10pc Pf 5p
Lewis (John) Properties 8¼pc Deb 1993/98 4⅛pc
Lincoln National 62cts
Lloyds Chemists Pf 3.39041p
Londonderry Port Harbour 3½pc Cons 1¾pc
M & G Extra Yield Fd 6.3p
Marks & Spencer 10pc Pf 3.5p
Marshalls 10pc Pf 5pc
Merchants Tst. 4pc Deb 2pc
Mid-Southern Water Deb 1995/96 5pc
Montreal (City of) 3pc Deb 1.5pc
NYNEX 109cts
Nicor 50cts
Northern American Tst. 3½pc Pf 1.75p
Norwich 2pc Red 1.5pc
Nottingham 3pc Irrd 1.5pc
PHH 28cts
Parkland Textile 3.15pc Pf 1.575p
Pentos 4½pc Pf 1.575p
Platignum 6pc Pf 1.05p
Reading Corp 3½pc 1978 (or after) 1.75pc
Schroder Global Tst. 5pc Pf 1.75p
Scottish & Newcastle Breweries 4.6pc Pf 2.3pc
Do. 6.425pc Pf 3.2125p
Scottish Agric Sec 3½pc Deb 1983/93 1.75pc
Do. 13pc Deb 1997/99 6.5pc
Scottish Inv. Tst. 3.5pc Pfd 1.75p
Do. 3.85pc Pfd. 1.925p
Do. 4.55pc "A" Pf 2.275p
Sheafbank Prop. Tst. 6pc Pf 3p
Do. 7½pc Pf 2.625p
Southwestern Bell 65cts
Templeton, Galbraith & Hansberger 7.5cts
Torchmark 30cts
Treasury 6¾pc Ln 1995/98 3⅜pc
Treifus 20pc Pf 1.75p
US WEST 94cts
Varity Hldgs. Deb 1987/92 3¾pc
Watney, Mann & Truman 7¼pc Deb 1988/93 3⅝pc
Do. 5½pc Ln 2¾pc
Do. 8⅛pc Ln 4 1/16pc
Whitbread 4½pc Pf 1.575p
Do. 6pc Pf 2.1p
Do. 7pc Pf 2.45p

TODAY

COMPANY MEETINGS–

Admiral Computing, The Brewery, Chiswell Street, E.C., 12.00
European Homes Prods., Ebbgate House, 2, Swan Lane, E.C., 10.30
Fleming Mercantile Inv. Tst., 25, Copthall Avenue, E.C., 12.00
Habit Precision Engineering, Ramada Inn West London, Lillie Road, S.W., 10.30
Jaguar, London Marriott Hotel, Grosvenor Square, W., 11.30
Ratcliffs (Great Bridge), 75, Harborne Road, Birmingham, 3.00

BOARD MEETINGS–

Finals:
BDA
Beattie (James)
East Daggafontein Mines
Hunting Assoc.
LGW
Moss Bros.
OIB
Titaghur Jute Factory

Interims:
Circaprint
Fundinvest
Kalamazoo
Sanderson Electronics
Tate & Lyle

DIVIDEND AND INTEREST PAYMENTS–

Baltic 1.92p
Bardon 2.5p
Betacom 0.2p
Burford 0.281p
Chestergate 3p
English Electric 5¼pc Deb 1984/89 8⅛pc
Estates & General Invs. 6pc Pf 3.0575p
GC Flooring & Furnishings 0.9p
King & Shaxson 5pc Pf 1.75p
London & Scottish Marine Oil Oil Prod. Units 9.6653p
Owners Abroad 1.75p
Ransomes Sims & Jefferies 7.5p
Reuters 6.2p
Scottish Eastern Inv. Tst. 2p
Union Intl. 7pc Pf 2.45p
Wyevale Garden Centres 3.1p

TOMORROW

COMPANY MEETINGS–

Abbeycrest, St. Paul's House, Park Square, Leeds, 2.00
Cadbury Schweppes, New Connaught Rooms, Great Queen Street, W.C., 12.00
Celestion, Brown's Hotel, Dover Street, W., 12.00
General Acc. & Fire & Life Assc., Pitheavlis, Perth, 10.00
Linread, 75, Harborne Road, Birmingham, 12.00
Low & Bonar, Bonar House, Faraday Street, Dundee, 12.00
Mellett, Britannia Inter-Continental Hotel, Grosvenor Square, W., 10.00
Richardsons Westgarth, Great Eastern Hotel, Liverpool Street, E.C., 12.30
STC, 20, Aldermanbury, E.C., 11.30
Unilever, Plaisterers Hall, London Wall, E.C., 11.00

BOARD MEETINGS–

Finals:
Apollo Watch Products
Delyn Packaging
Forward Group
Harrison & Cros.
Hi-Tec Sports
Nurdin & Peacock
Usher Walker

Interims:
Apollo Metals
Royal Bank of Scotland
Video Tape Recording

DIVIDEND AND INTEREST PAYMENTS–

Allied Restaurants 0.55p
American Medical Intl. 18cts
Anglo American Gold Inv. 161.07839p
Close Brothers 2.2p
Continental Microwave 1.1p
Federated Housing 5p
Fleming Merc. Inv. Tst. 3.05p
Microvitec 1p
National Westminster Bank $236.72
P & P 2p
Treasury 15¼pc Ln 1996 7⅝pc

THURSDAY MAY 4

COMPANY MEETINGS–

Arlington Securities, 1, Brewer's Green, Buckingham Gate, S.W., 12.00
Arncliffe, Follifoot Hall, Follifoot Ridge, Pannal Road, Harrogate, 5.00
BBA, Norfolk Gardens Hotel, Hall Ings, Bradford, West Yorkshire, 11.30
CCA Publications, 50, Stratton Street, W, 11.00
Candover Invs., Howard Hotel, Temple Place, W.C., 12.00
Capital & Regional Properties, Goring Hotel, Beeston Place, S.W., 12.00
Carbo, Portland Hotel, Manchester, 11.30
Edinburgh Fund Managers, 4, Melville Crescent, Edinburgh, 12.15
Hepworth, Institute of Directors, Pall Mall, S.W., 12.00
Kalon, Huddersfield Road, Birstall, Batley, 11.00
Kleinwort Benson, 20, Fenchurch Street, E.C., 12.00
Lilleshall, Chequers Hotel, Newbury, 11.00
London Forfaiting, 1, St. Katharine's Way, E., 12.00
Richards Group, Bank House, 8, Cherry Street, Birmingham, 12.00
United Biscuits, Royal Lyceum Theatre, Grindlay Street, 12.00
Wimpey (George), Savoy Hotel, W.C., 12.00

BOARD MEETINGS–

Finals:
Boot (Henry)
Highcroft Inv.
Jackson Grp.
Rathbone Brothers
Westerly

Interims:
Glasgow Income Tst.
Guinness Mahon
Johnson Cleaners
Kwik Save
Speyhawk

DIVIDEND AND INTEREST PAYMENTS–

Abbeycrest 1.8p
Arncliffe 4p
Automagic 2.25p
Inv. Tst. of Guernsey 1.3p
Isotron 0.87p
Johnson Group Cleaners 17.9p
Law Debenture 6.45p
New Zealand 11¼pc 2008 5⅝pc
Pacific Dunlop A$0.075
Paterson Zochonis 1.95p
Do. "A" N-Vtg. 1.95p
Pickwick 2.25p
USDC Inv. Tst. 2.5p

FRIDAY MAY 5

COMPANY MEETINGS–

American Trust, 4, Melville Crescent, Edinburgh, 12.00
Boddington, Midland Hotel, Manchester, 11.45
Church & Co, Northampton Moat House, Silver Street, Northampton, 12.30
Dean & Bowes, Hemingford House, Huntingdon, 12.00
Desoutter Brothers, Hendon Hall Hotel, Parson Street, N.W., 12.00
Emess, Waldorf Hotel, Aldwych, W.C., 12.00
Goal Petroleum, Brown's Hotel, Albemarle Street, W., 12.00
Grampian Hldgs., 11, Blythswood Square, Glasgow, 12.00
Greggs, Gosforth Park Hotel, Gosforth Park, Newcastle upon Tyne, 11.45
Hunting Petroleum Services, 68, Knightsbridge, S.W., 10.00
Jones (A), Northampton Moat House, Silver Street, Northampton, 12.15
MTL Instruments, Power Court, Luton, Bedfordshire, 4.00
M.Y. Hldgs., Merchant Taylors Hall, Threadneedle Street, E.C., 11.00
Molins, Salters Hall, Fore Street, Barbican, E.C., 12.15
Mount Charlotte Invs., Mount Royal Hotel, Bryanston Street, W., 12.00
Myson, Great Eastern Hotel, Liverpool Street, E.C., 11.00
Palme, Grand Hotel, Leicester, 12.00
P & O, Connaught Rooms, 61-65, Great Queen Street, W.C., 11.00
Refuge Grp., Alderley Road, Wilmslow, 11.30
Royal Sovereign, Waldorf Hotel, W.C., 3.30
Silkolene Lubricants, Silkolene Oil Refinery, Belper, Derbyshire, 12.00

BOARD MEETINGS–

Finals:
Mezzanine Cap. & Inc. Tst.
UPL

DIVIDEND AND INTEREST PAYMENTS–

Australian Agric. Co. 11⅞pc Nts. 1990 5 15/16pc
Central ITV 19.5p
Credit National 13½pc Nts. 1989 7¾pc
Do. 13½pc Nts 1993 7¾pc
Desoutter Bros. 8p
Eleco 2.2p
Expamet Intl. 5.35p
Fairway (London) 1.5p
Fisher (James) 2.05p
H.T.V. 1.5p
Harmony Gold Mining 60cts
Intl. Inv. Tst. Co. of Jersey 7.5p
Kalon 0.7p
Klearfold 3.9cts
Lloyd Thompson 1.9p
MAI 1.2p
Maunders (John) 2.1p
National Westminster 19p
Richardsons Westgarth 1.2p
STC 6p
Seacon 1.5p
Sweden (Kingdom of) 9¾pc Nts 1993 4⅞pc
Tay Homes 1p
Vickers 4.6p

SATURDAY MAY 6

DIVIDEND AND INTEREST PAYMENTS–

Brixton Estate 7¾pc Deb 1987/92 4⅞pc
Cadbury Schweppes 8¼pc Deb. 1994/2004 4⅛pc
Campari Intl. 6.5p
Courtaulds 6pc Pf 2.1p
Do. 5½pc Ln 1994/96 3¼pc
Do 7¼pc Ln 1994/96 3⅝pc
Grampian Hldgs. 3.8p
Tilling (Thomas) 8½pc Ln 1989/94 4¼pc

PARLIAMENTARY

Today

Commons: Opposition debate on "Doctors' rejection of the NHS White Paper" followed by Opposition debate on teacher shortages.

Timetable motion and consideration of Lords' amendments to the Official Secrets Bill.

Lords: Water Bill, committee.

Prayer to annul the Education (National Curriculum) (Attainment Targets and Programmes of Study in Science) Order, 1989.

Tomorrow

Commons: Timetable motion on the Self-Governing Schools (Scotland) Bill.

Companies Bill, second reading.

Lords: Debate on "The challenge of 1992 and implications of the single market on social, industrial and trade policies."

Question to Government on transport in London.

Select committees: Environment: subject, British Waterways Board. Witness: Lord Hesketh, Environment Minister. (Room 21, 10.30 a.m.)

Foreign Affairs: subject, Foreign and Commonwealth Office and Overseas Development Administration expenditure. Witnesses: Sir Patrick Wright, permanent secretary at the FCO and officials. (Room 8, 10.30 a.m.)

Trade and Industry: subject, financial services and the single market. Witness: Bank of England, Securities and Investments Board and Fimbra. (Room 15, 10.45 a.m.)

Defence: subject, the anti-armour weapon, LAW 80. Witness: Ministry of Defence. (Room 16, 10.50 a.m.)

Treasury and Civil Service: subject, developments in the Government's Next Steps programme. Witness: Mr Peter Kemp, Manager, Next Steps project team. (Room 6, 11 a.m.)

Employment: subject, part-time employment. Witness: CBI (Room 18, 4.15 p.m.)

Committee on a private bill: Birmingham City Council No. 2 Bill. (Room 5, 11 a.m.)

Thursday

Commons: Police Officers (Central Service) Bill, second reading.

Motion on EC document on control of persons at intra-community frontiers.

Motion on EC documents on public procurement.

Lords: Prisons (Scotland) Bill, second reading.

Water Bill, committee.

Employment (Age Limits) Bill, second reading.

Friday

Commons: Private members' bills.

Trade Fairs and Exhibitions: UK

May 7-9
British Craft Trade Fair (0382 867153)
Exhibition Centre, Harrogate

May 16-18
Energy Exhibition (0895 421111)
NEC, Birmingham

May 18-20
Scottish Money Show (01-940 2244)
Exhibition Centre, Glasgow

May 19-21
National Franchise Exhibition, including Other Business Opportunities (01-727 1929)
Olympia

May 23-25
National Incentive & Promotion Exhibition (0273 206722)
Olympia

Computers in Manufacturing Exhibition (0372 372842)
Harrogate

May 23-26
Chelsea Flower Show (01-834 4333)
Royal Hospital, Chelsea

May 26-28
Select Investment Show (06333 76626)
Brighton

June 6-8
Enterprise and the North West - Opportunities for Action Conference and Exhibition, (01-642 7688)
G-MEX Centre, Manchester

June 8-13
Fine Art and Antiques Fair (01-385 1200)
Olympia

June 11-14
Business to Business Exhibition (01-729 0677)
Business Design Centre, London

June 21-23
Personal Investment Marketing Show (01-948 5166)
NEC, Birmingham

Overseas Exhibitions

May 13-17
International Automobile Show (01-379 0765)
Taipei

May 23-26
Asian International Chemical and Process Engineering Exhibition and Conference – CHEMASIA (01-486 1951)
Singapore

May 27-June 4
International State Fair (01-734 4791)
Nicosia

June 9-18
International Air Show (01-225 5566)
Paris

June 19-23
International Wine, Spirits & Equipment Exhibition - VINITECH-VINEXPO (01-225 5566)
Bordeaux

June 20-25
International Building and Construction Exhibition (045382 8989)
Beijing

June 25-28
International Fancy Food and Confection Show (01-940 3777)
Atlanta

June 27-29
International Express & Courier Services Exhibition and Conference (0420 87303)
Brussels

Business and management conferences

May 8
FT Conferences: World rail – Service and profit (01-925 2323)
Hotel Inter-Continental, London

May 8-10
The Textile Institute: International forum (061 834 8457)
Harrogate

May 9-10
FT Conferences: Transport links with the Continent – collaboration to meet the challenges of future growth (01-925 2323)
Hotel Inter-Continental, London

May 10-11
International Business Communications: International money and capital markets 1989 (01-236 4080)
Cafe Royal, London

May 12
Hawksmere: The Companies Bill (01-824 8257)
Hilton Hotel, London

May 15
Institute of Economic Affairs Health Unit: The welfare state - the changing debate (01-799 3745)
Inter-Continental Hotel, London

May 15-16
FT Conferences: European banking (01-925 2323)
Venice

May 15-16
Acquisitions Monthly: Management buy-outs (01-823 8740)
Hilton Hotel, London

May 17
The Institute of Economic Affairs: Law and economics (01-799 3745)
Queen Elizabeth II Conference Centre, Westminster

May 18
Centre for European Policy Studies: Business policy seminar - Energy policy options for the European Community ((32.2)513.40.88)
Brussels

May 19
Gouldens/Institute of Directors: The life and death of a company (01-583 7777)
116 Pall Mall, London

May 22
International Business Communications: Offshore funds - a time of change (01-236 4080)
City Conference Centre, London

May 23-24
Scottish Electronics Technology Group: European financial self-service conference and exhibition (0292 313203)
Sheraton Hotel, Edinburgh

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

MANAGEMENT: The Growing Business

How to seek an imprint overseas

Charles Batchelor follows the experiences of a London label company in its quest for export markets

In a few years' time freight trains bound for the Continent will be rolling past Chris King's label printing factory, which is sandwiched between a tangle of railway lines in Herne Hill, south London. By 1993 and the opening of the Channel Tunnel, Labelking, which does not at present export to mainland Europe, hopes to have a foothold of its own on the Continent, possibly through a joint venture with a French company. Like the owner-managers of many growing businesses, King has been taking a close look at the way his markets have been developing and concluded that the future of his company will depend very much on his ability to sell overseas. There is still an increasing demand for high quality adhesive labels in Britain but he believes even larger untapped markets are to be found across the Channel.

"I am convinced that in our industry our competitors and our markets won't just be in Birmingham but in Lyons and Madrid," he says. "We are part of Europe and that is our home market. I see exports as being to Africa or Eastern Europe."

Already one or two of his competitors have begun making acquisitions in France or setting up sales offices on the Continent. King also thinks the German label printers are starting to make inroads in the UK.

King has been thinking seriously about selling into overseas markets, in particular the US and continental Europe, for about two years now but has yet to take the decisive step. To help himself firm up his thoughts he applied to the London Chamber of Commerce for the help of an Export Development Adviser. The Department of Trade and Industry announced in January that it was creating a nationwide team of 31 advisers to help growing companies to export.

The London Chamber, which has three advisers attached to its export unit, has sent John Drury to Labelking. Drury had many years of overseas experience with GKN, the engineering group, before joining the DTI team.

Drury meets King in his cramped office overlooking the factory floor. Their discussion is carried out against a background of the whirr of the air-conditioning unit and a radio playing on the shop-floor below.

Drury explains how the export programme works. The first meeting is to determine whether the programme would be suitable for Labelking. If King decides to go ahead he can have as many hours of counselling as he needs at a rate of £15 an hour.

Drury then asks King to tell him a bit more about his business. Labelking makes adhesive labels mainly for the suppliers of large food retailers such as Sainsbury and Waitrose but about 10 per cent of its business goes to manufacturers of toiletries, stationery and to airlines. A few years ago a turnround time of two weeks was considered good in the label industry but improved technology and pressure from customers has cut delivery times to a few days.

Labelking employs 32 people split almost equally between the London factory and a second which King opened in Boston, Lincolnshire, five years ago. Turnover in 1988 was £3.6m but King is aiming for £4.5m in the current year and he still has plenty of unused capacity. Competition is tough and has grown from about 70 companies when King started in 1972 to around 500 though he reckons Labelking ranks about 12 in sales terms.

Labelking, it turns out, has exported before. Five years previously it received an order from Kuwait and has since made occasional shipments. King feels, however, that occasional dealings with Kuwait offer no pointers to what he should be doing in Europe or the US.

He has considered appointing a salesman to sell into mainland Europe or appointing an agent. But good salespeople are difficult to find while an agent would not be appropriate for Labelking's products, which are not sold off the shelf but require close co-operation between the food retailer or packer and the printer.

King has already decided that the best option would be to team up with a French label printer. He has written to 500 companies in France and received replies from 30 of them. He has visited some of them in France while others have come to England to visit him. King is thinking of teaming up with one of these companies to establish a joint operation in Spain. Labour costs there are low for exporting throughout Europe while the Spanish market itself is large and under-exploited.

Has King considered other markets? asks Drury. Nigeria, says King, though Drury recoils at the problem of getting paid. What about the eastern seaboard of the US? he asks.

It turns out that King has thought about the US. In fact, he has spent some time researching the US market; has made a number of trips to the south-eastern states and has thought of setting up an operation in the area. A population of some 30m people is served by only five or six label printers, none of them very big. King believes the quality of print that he could offer is better than that available from US competitors.

But to go into the US King needs to find a partner he can trust. Before he set up in business on his own account, King worked for a large paper manufacturer which ran into unexpected problems in a joint venture with a US partner. He needs to find someone reliable. Alternatively he could set up in the US on his own, starting by exporting and building up enough business to justify e local factory.

"It comes down to the people," says King. "I have visited banks in the US and there is finance available. But it would take six months to do it. I am not averse to making the effort but I don't have the time."

Drury suggests a further option – Japan and the Far East. Could the Japanese company which supplies Labelking with some of its printing equipment introdnce the British company into the Japanese market? King thinks not because his Japanese supplier prints labels as well as making the printing equipment. The Japanese market is anywsy well covered by several hundred local companies.

After the first two-hour session Drury has e far better idea of Labelking's business while King has been able to test his ideas with an experienced outsider. Labelking is more sophisticated in its approach to exporting than many of the businesses Drury has seen. It remains to be seen whether, with Drury's help, King's ideas can be turned into action.

For exporting help: contact London Chamber of Commerce, (tel 01-248 4444), your local chamber of commerce or DTI regional offices.

Ashley Ashwood

Chris King: considering Kuwait, US east coast, Nigeria, Spain

Enterprise agencies

Commitment comes under scrutiny

Ian Hamilton Fazey reports that some directors do little more than attend meetings

The private sector's depth of commitment to enterprise agencies in the UK has been thrown into question by research carried out by Durham University Business School.

The agencies have been important in the development of Britain's small business sector in the past ten years. Their initial role was to help people who did not know how to set up their own businesses. This tapped a deep-seated need that saw their number grow to 300 by 1988.

The private sector's role in supporting them remains crucial. Nearly all get their funds from central and local government, the private sector and income earned from various activities.

However, the research into the roles played by the agencies' chairmen and directors shows that the majority of business leaders who serve on the board of their local agency play a minimal role, attending meetings but doing little else to help.

The average agency has 12 non-executive directors who meet only at two-monthly intervals. When, on average, only nine of them turn up. In most agencies the chairman and one or two other individnals are really committed, but the other directors adopt a much less involved "overseer" role.

This is not surprising, since half of the directors are nominated by sponsors to adopt a watching brief over what is being done with the sponsors' money. Another 17 per cent are nominated by other interested parties such as local authorities.

The proportion actually invited to join boards because they can contribute relevant knowledge or experience – people who are expected to be "doers" rather than mere "watchers" – is only one-third.

The report on the research, which was sponsored by Shell, was compiled by Tim Atterton, who is in charge of the business school's training programmes enterprise agency staff. It was presented last month to a conference of agency chairmen run by Business in the Community, the umbrella organisation for enterprise agencies.

Diplomatically, Atterton makes no comment on his findings but the fragility of the enterprise agency movement's support structure is obvious, as well as its vulnerability now that the Government is withdrawing financial support and expecting the private sector to pick up the burden.

The research shows that most chairmen are highly experienced managers. Only 28 per cent of them were retired and more than half had run or were still running a business.

Half were from large companies employing more than 500 and e quarter from smaller businesses with under 200 on their payrolls. Medium-sized companies in between contributed 11 per cent of chairmen, the same proportion as tbe civil service. Only 3 per cent were local government officers.

Manufacturing industry provided the greatest number, with 39 per cent. Professional services such as accountancy practices supplied 18 per cent, with 13 per cent from service industries, 8 per cent from retailers, and the rest from a wide variety of other sectors.

Valued attributes were credibility within the community, business experience, detailed local knowledge, a strong network of contacts, and access to potential sponsors.

Time spent on agency business was five hours a week. The majority believed that this was nowhere near enough but could not spare more.

The prime motivation for taking on the job was to contribute to local economic revival, followed by peer group pressure, a shortage of others capable of doing it and personal ambition.

Half of the five hours went on strategic planning of agency activities and a third on external liaison with government, sponsors, potential sponsors and the like. The rest went into operational management.

The agencies spend a lot of time dealing with people who walk through the front door and ask for help. This is not helpful to an ordered existence or controllable spending.

The chairmen reported six major problem areas:

- Difficulty in monitoring overall policy and direction and relating individual projects and activities to an overall strategy.
- A need for more involvement by other board members, especially those who might provide special knowledge or expertise.
- Keeping the funds coming in.
- Concern and confusion over government policy towards the agencies.
- The absence of a suitable successor as chairman.
- Shortage of time to devote to the agency.

The two main obstacles to spreading the load around the board, however, were shortage of time and lack of commitment among the other directors. In spite of this, 47 per cent of agencies had formed sub-committees of board members to get more people involved in specific tasks such as property management, links with schools, monitoring an agency's clients and chasing sponsorship and funds.

Many want Business in the Community to provide relevant training for chairmen and board members so as to achieve greater consistency. This could be important as more agencies form networks in order to cut duplication and optimise resources on a regional basis.

However, many will see wider implications, for the Government is expecting the agencies to play a key role in the Training and Enterprise Councils hy taking over the development of many entrepreneurial services in their areas. To do so, they will need security, so some of the worries revealed by this research will need to be eased.

In brief...

■ Exporters who make use of government assistance to build up overseas sales are having to pay for more of the services and from this month will be required to use a DTI Service Card.

The card, which is free, does not provide extended credit but it does allow companies to pay their bills on a monthly basis in arrears by direct debit. Previously customers for export services had to pay in advance. The DTI says the card will allow it to communicate more effectively with users of its services.

Services for which charges are now being made include market information enquiries and reqnests for overseas status reports on potential customers or partners. These will cost £50 (plus VAT) for work taking less than four hours and £100 for work taking more than four bours. In all cases, thongh, the maximum charge per project will be £100.

Contact DTI regional offices.

■ American Express has this month launched e range of benefits designed for the smaller firm, from the one-man start-up to the business with £1m turnover.

The first four benefits to be introdnced are s small business travel service; a botel service providing discounts of up to 40 per cent; disability insurance for staff of up to £25,000; and an annual management report to belp in reviewing expenses and preparing tax returns.

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1992 and beyond demands attention now. France is a key market. We can provide commercial solutions. We are a French group of associates in Paris who can offer services including offices & company formation plus wider support as required. Contact London Office 01-499 9192. Fax 01-499 7175. "Sell In France". 108 New Bond Street, London W1Y 9AA.

FRANCHISING

UNITED KINGDOM MASTER FRANCHISE

We are UNIGLOBE Travel International. In franchising since 1979 with 730 outlets and 19 regions across Canada and the United States, we are by far the No. 1 franchisor of travel agencies. And Entrepreneur Magazine thinks so too. In fact they have ranked us No. 1 in our field for the last three years.

We are Canadian based but are now ready and eager to expand into Europe. We seek a Master Licensee for the United Kingdom. The ideal individual or company will have a proven track record in sales and marketing, not necessarily in the travel industry, and will be able to capitalise the venture to around £1 million. Interested parties should respond to John Henry, Senior Vice President, UNIGLOBE Travel International.

Write Box H4572, Financial Times,
One Southwark Bridge, London SE1 9HL

AIRCRAFT FOR SALE

BUSINESS AIRCRAFT

Sales • Operating Leases
Insurance • Support Package
Management & Crewing

EXECUTIVE JET
CENTRE-HEATHROW

Fields
A subsidiary of Hunting Associated Industries plc

Duncan Aviation

84 Citation SII S550-0009
82 Learjet 55-024
81 Citation II 550-310
81 Embraer Bandeirante 110-342
81 Embraer Bandeirante 110-298
78 Learjet 35A-171
75 Learjet 35-013
75 Learjet 35-012
75 Learjet 36-008

(402) 475-2611

HS125/3B sale or lease, new paint & interior, attractive leaseback available. Call CB Group 01-223 7566 Fax: 01-585 2485.

BUSINESS FOR SALE

FOR SALE
by the Administrative Receiver
The Business and Assets of Portapax Limited
(In Administrative Receivership)

The Company manufactures extruded foam packaging for the fresh food and horticultural industry from a 25,000 sq ft leasehold factory in Newport, Gwent.

The company's plant comprises a large injection moulder, a foam extruder and large web-fed thermoforming equipment.

The company has considerable technical know-how and a number of international patents. Current workforce is around 14 people.

For further information please contact the Receiver, Mr R. G. Ellis.

Touche Ross

Blenheim House, Fitzalan Court, Newport Road, Cardiff CF2 1TS.
Tel: (0222) 481111. Fax: (0222) 482615.

Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

Successful Sports Retail and Angling Centre

In rapidly expanding S.E. town. Turnover £250K. G.P.P. 37.7%. Partners retiring. Offers in excess of £150K + s.a.v. for business including goodwill, f+f, and benefit of new 20 year lease.

Write Box H4724, Financial Times, One Southwark Bridge, London SE1 9HL.

RECRUITMENT CONSULTANCY

Established company in excellent location near the city seeks purchaser or active partner to buy majority shareholding to strengthen and develop it's business base. Box H4705, Financial Times, One Southwark Bridge, London SE1 9HL.

WE SELL COMPANIES.

Whatever your business, we should like to hear from principals, whether buying or selling. All types of business sought, regardless of industry, size or location. The strictest confidence is maintained.

A selection from our register of businesses for sale:

N.HUMBERSIDE - AUTOELECTRIC/DIESEL INJECTION SYSTEM REPAIRS - Highly profitable & expanding bus. Broad customer base. Price £650k (Ref ZE 10451YK)
DEVON - PATIO MATERIAL SUPPLIERS - Half acre F/H property. T/O £430k with a 36% G.P. Good viable business. Price £500k (Ref ZL 16389N)
E. KENT COAST - PLUMBERS MERCHANT - With secondary business. T/O £500k. Highly profitable. Substantial F/H Price £310k (Ref ZR19968)
DEVON - GOLF EQUIP WHOLESALERS - Supplying Sports Shops and Clubs. L/H. T/O £300k +. Price £80k sav (£100k) (Ref ZR 16395N)
N.YORKS WOLDS - MUSHROOM FARM - 21,000 sqft. T/O £265k. N.P. £82k. Price £245k (Ref ZT16678YK)
HERTS - PHOTOMECHANICAL BUSINESS - Concept widely used by Aerospace & automotive Ind. Vast potential. Guide Price £500k (Ref ZV16454)
N.HUMBERSIDE - CARAVAN RENTAL/SALES - 40 acre site licenced for 400 pitches. Entertainment facilities. T/O £247k. G.P. £116k. Price £1.5m (Ref ZW 16465YK)
DEVON - HIGH T/O BAKERY - Valuable F/H. 4 bed home. Delivery vans. T/O £330k with 50% G.P. Price £500k. (Ref ZA 15955N)

Write to the General Manager
Everett Masson & Furby Corporate
18 Walsworth Road,
Hitchin SG4 9SP
Tel. 0462 422499 Fax 0462 420062

EM&F EVERETT MASSON FURBY

CHARTERHOUSE

SELLING? CHANGE YOUR PERSPECTIVE.

If your company's profits exceed £300,000 per annum, get a different view from the experts at Charterhouse. Telephone 01-248 4000, in confidence, and ask for Alex Harris.

Charterhouse Bank Limited is a member of The Securities Association. The Royal Bank of Scotland Group

Potential Made Possible

Covent Garden General Store

The business and assets are offered for sale in whole or in part, consisting of:–

- 5 high quality retail outlets in Central London with 30,000 sq.ft. of selling space plus West End offices,
- 1 retail outlet at Heathrow,
- warehousing facilities and offices in South East London of 11,000 sq.ft.,
- wide range of gifts and life style merchandise,
- employs approximately 180 people,
- turnover for 11 months to December 31, 1988 in excess of £5.3 million.

For further information contact the Joint Administrative Receivers:–
S. J. L. Adamson, CA and A. R. Bloom, ACA,
Arthur Young, Rolls House,
7 Rolls Buildings, Fetter Lane,
London EC4A 1NH.
Tel: 01-242 2124 ext 318 or 326
Telex: 888604 Fax: 01-405 2147

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL
Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Micra Limited

Established design and manufacturing business, specialising in titanium and diamond based microsurgical instruments, based in central Luton.

- £1.5 million turnover business
- Innovative titanium technology: fine-scale precision engineering expertise
- World wide distribution network accounting for 80% of sales
- Highly skilled workforce
- Production facilities for 1200 instruments per month
- Leasehold office/workshops – 7,000 sq.ft.
- Leasehold manufacturing units – 5,000 sq.ft.

For further information please contact:
Arthur Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.
Tel: 01-242 2124 ext 347
Fax: 01-405 2147 Telex: 888604 AYLOG

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL
Arthur Young is authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

DARLINGTON TOWN CENTRE

Extensive fully fitted licensed premises offered for sale as a going concern by the Joint Administrative Receivers.

Principal assets include:

- 475 capacity "Video Café" bar featuring 36 monitor Video Turbine, 12 midnight licence
- 460 capacity self-contained nightclub, 18,000 members, state of the art sound and lighting, 2 am licence
- Ample ancillary accommodation

For further details please contact the Joint Administrative Receivers: Martin Shaw or Tim Beer.

KPMG Peat Marwick McLintock

City Square House, 7 Wellington Street,
Leeds LS1 4DW
Telephone: (0532) 450331 Fax: (0532) 435992

DAVID & COMPANY

SPECIALIST NURSING & REST HOME AGENTS & VALUERS

Centre Court House, 50 Alexandra Road, Wimbledon, London, SW19 7LB.
Telephone: 01-879 1414 01-543 6111/2 Fax. 01-947 5665

SPECIALIST NURSING & REST HOME AGENTS & VALUERS

Centre Court House, 50 Alexandra Road, Wimbledon, London SW19 7LB
Telephone 01-879 1414 01-543 6111/2 Fax. 01-947 5665

As the leading specialised Nursing and Residential Home Estate Agents DAVID & CO have for sale an excellent selection of managed groups and individual homes throughout the UK.

Fuller details will be made available to "PRINCIPALS" of companies wishing to enter or further extend their portfolio in the field of Residential and Nursing Care for the evergrowing population of the elderly.

Contact by either letter or Fax: John A Kelly Miss A Lewis at our above address

PARTITIONING AND CEILING SUB CONTRACTOR

The business and assets of Marple Interiors Limited (formerly Marpaul Interiors Ltd) are offered for sale as a going concern by the Joint Administrative Receivers.

Principal assets include:

- Leasehold premises of 6,000 sq. feet
- Turnover £1,500,000 per annum
- Good order book and enquiry bank
- Workforce of 25

For further information please contact the Joint Administrative Receiver: Martin Page

KPMG Peat Marwick McLintock

Holland Court, The Close, Norwich NR1 4DY
Telephone: (0603) 620481
Fax: (0603) 623078

FOR SALE
BATHROOM EQUIPMENT DISTRIBUTOR
LONDON BASED

Long-established family business operating from 25,500 square feet leasehold premises, comprising warehousing and offices.
Family wishes to dispose of trading operation together with net trading assets.
1987/88 audited turnover of £3.9 million with gross profit of £900,000. Broadly spread customer list.
Loyal and stable work force.
Offers of £375,000 required for goodwill, plus approximately £450,000 for net tangible assets which will be warranted at completion.

Apply to Box H4761, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE
TRADE ELECTRO PLATING COMPANY: HUMBERSIDE

Large electro plating facility servicing metal finishing requirements in the North East.

Automated nickel/chrome line 3700 x 600 x 1500
"In line" acid zinc plant 3050 x 915 x 1070
(motorised transporter suitable for automating).

Effluent treatment plant, polishing and vibrating facilities included.

Substantial capacity capable of considerable further development.

The company occupies 12000 square feet in a modern factory on a site 1.3 acres. Purchase of the lease is available.

Apply in writing to:

Box F8823, Financial Times, One Southwark Bridge, London SE1 9HL

BUILDERS MERCHANT

S.E.LONDON - N. KENT AREA

- £2 million plus turnover
- Good location
- 1 acre plus site
- long established customer base
- Cash and credit sales
- Loyal Experienced Staff

Box H4745, Financial Times, One Southwark Bridge, London SE1 9HL.

For the sale ancillary business

projected turnover for year to October 1989. £206,000 projected profit before tax £80,000.

Write Box H4742, Financial Times, One Southwark Bridge, London SE1 9HL

ACQUISITION RESEARCH

Sectoral Research undertaken to identify and match potential targets with clients' specific acquisition criteria. Shortlists prepared and discrete approaches made, if required.

For details call Roger F. Mortimer MBA, ACIS on 046 274 2822

FOR SALE

A profitable manufacturer, wholesaler and retailer of specialist novelty confectionery including lettered rock.
Located S.E. England.
Assets include freehold shop/factory premises with accommodation.
Current T/O £100K+. Owners prepared to pass on skills of trade.

Write Box H4741, Financial Times, One Southwark Bridge, London SE1 9HL

How To Realize The Value Of Your Business

1 If you are thinking of selling your business we will give you a professional valuation without obligation.

2 Then we will find you a buyer and ensure you get the best possible price.

For further information contact Vernon Goldberg or Clive Lawson Smith
CHESTERFIELD STREET TRUST LTD
14 HANS ROAD · LONDON SW3 1RS
TELEPHONE 01 581 1477

U.S. CONSTRUCTION COMPANY FOR SALE

Mid sized firm based in New York seeks to be acquired. Over 40 years experience throughout the U.S., Caribbean, Bermuda, Newfoundland and Cuba on unique and/or sophisticated projects for both the Government and private sectors. Significant expertise on power plants, process plants, waste-to-energy and resource recovery facilities, movable span railroad bridge rehabilitation, pollution abatement systems, test facilities and underground piping distribution systems.

ARNOLD M. DIAMOND INC., P.O. Box 4326, Manhasset, New York 11030, U.S.A.

DIVERCO
Sell Companies Nationwide

SELLERS and BUYERS

Contact in confidence:
DIVERCO LTD.
4 Bank Street,
Worcester WR1 2EW.
Tel: 0905 22303

CELLULAR SUBSCRIBER BASE

A high quality subscriber base is available for sale.The minimum of administrative requirement is anticipated.Principals only.
Please write box H4664,Financial Times,One Southwark Bridge,London SE1 9HL.

Established and Profitable

lithographic colour printers in the Eastern Home Counties. Close to the M25 seeks sale to company with print sales they cannot service, with modern plant, from scanning through multi-colour presses to fold, stitch and trim in freehold premises. This company offers excellent potential for profitable growth with the correct association.

Write Box H4740, Financial Times, One Southwark Bridge, London SE1 9HL

INTERNATIONAL SOURCING AGENCY
seeks to merge with larger group

- Based on the South Coast
- Profit before taxation circa £500,000
- The Company imports consumer based products, particularly timber products on behalf of retail clients and sources raw materials for manufacturers.

Write to
Lloyds Merchant Bank Ltd., 60 Church Street, Birmingham, B3 2DJ.

FOR SALE

Company supplying internationally well established range of special purpose machinery products.

Contact
Mr. R. E. Leonard
(0706) 732233

GRAPHIC AND STATIONERY SUPPLIES

Established business, located central Buckinghamshire. Forecast sales to exceed £500,000 (ex VAT) in current year 40% GPM. Detailed audited accounts on file. Strong client base - limitless expansion possibilities. Large fully equipped leasehold showroom and offices, in prime town centre location.
£250,000 plus stock. Sole Agents.
The RSBS Group 0234/268288.
Reference – M3944B.

FOR SALE
TIMBER AND BUILDERS MERCHANT

Central London. T/O £1.5 million. Well known and established company, fully staffed and stocked.
Freehold 15,000 sq ft. Depot and offices.

Principals only write to Box H4760, Financial Times, One Southwark Bridge, London SE1 9HL

TRADE DIRECTORY FOR SALE

Established and profitable title.

Write Box H4736, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESS FOR SALE

City Poly

MSc/Postgraduate Diploma in Economics and Forecasting (incorporating Financial Economics)

Two-year part-time evening course commencing October 1989.

Further details from: The Admissions Office, 31 Jewry Street, London EC3N 2EY. Telephone 01 283 1030 Ext. 310.

FOR SALE

Waste Collection Business located Inner West London.

Projected Turnover in excess of £1.5m

Principals only.

Write Box H4759, Financial Times, One Southwark Bridge, London SE1 9HL.

CONSUMER MAGAZINE

Title For Sale

Newly launched bi-monthly magazine with considerable potential. Has achieved breakeven after four issues.

For further information write to Box H4708, Financial Times, One Southwark Bridge, London SE1 9HL.

PRIVATE PROPERTY COMPANY FOR SALE

Only asset, [illegible] shopping parade, Oxford. Fully let, currently producing £44,114, reviewing 1992. Price for company [illegible] £275,000 [illegible]

Details 01-261 [illegible]

uPVC EXTRUSION BUSINESS

Currently has excess capacity. Would consider sale of Company or some form of joint venture. Excellent staff, well equipped, good premises.

Write Box H4755, Financial Times, One Southwark Bridge, London SE1 9HL.

Computer Consumables and Accessory Retailer plc for Sale

Turnover in the region of £5M per annum. North West based. Offers in the region of £2M.

For further particulars respond to Box H4752, Financial Times, One Southwark Bridge, London SE1 9HL.

EXCELLENT OPPORTUNITY

* * * * *

Vacation resort
Fully operating
Location: Paradise Island – Nassau Bahamas

Price: US$ 3,400,000.–
For information please write to:
P.O. Box 346
1211 GENEVA 12

LONG ESTABLISHED 45 YEARS, ENGINEERING BUSINESS KENT

Sheet metal, machining, welded fabrications, stove enamel, powder coating. Free-hold site, third acre approx. will become Highstreet corner site [illegible] future development.

Write Box H4746, Financial Times, One Southwark Bridge, London SE1 9HL.

Shrops. Nr Ludlow. Superior accom. in 17C Farmhouse. ETB 2 Crowns, DBB from £21. Self-Catering in Converted Granary also available. Brochure – Wigmore (056886) 223.

ESTABLISHED 40 YEARS

Specialist interest needlecraft magazine. Paid for monthly circulation 32,000. Advertising and exhibitions income. Title and current issue for sale.

[illegible]

SMALL COMPANY

Design led company specialising in producing versatile and established equipment for the physically disabled, with circa T/O £200,000. The company is offered for sale, together with patents and design rights.

Write Box H4763, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE:

Costa Brava, Spain

[illegible]

Alberto Casadel [illegible]
[illegible] (Girona) – Spain
[illegible] (Spain) 972 659742

WIREWORK BUSINESS

Based in North West England. Turnover approx. £700,000 pa. Own product lines of modular storage and shelving systems. Extensive sub-contract customer base. Lease negotiable.

Enquires to Box H4762, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

Opportunity for entrepreneurs to purchase already established secretarial bureau with potential for business centre.

Long lease with possibilities of purchase.

Write Box H4750, Financial Times, One Southwark Bridge, London SE1 9HL.

U.S. QUOTED SHELL COMPANY

A Nasdaq eligible company with over 500 shareholders. S1 registration. Available for sale or merger. Controlling ownership available. For information please send your company information to:

Box H4749, Financial Times, One Southwark Bridge, London SE1 9HL.

TRAVEL COMPANY FOR SALE

ABTA ATOL IATA member
Surrey based
T/o £1,800,000
GP £250,000

Box H4744, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

Modern complete batch ice cream plant (capacity 300 gallons per hour)
Ingredient Stock
24 Italian "GOLD MEDAL" high quality recipes
In house staff training (IF REQUIRED)
Further details from
GENNELLS CHARTERED SURVEYORS
TEL: [illegible] FAX: [illegible]

MOTOR TRADE

Substantial Motor Factors, Engine rebuilds, Petrol/Diesel sales car hire, etc. POTENTIAL FOR CAR SALES DEALERSHIP. Freehold. [illegible] acre site 3,000 sq.ft. building. Close to motorway and number of towns. T/O £1.8m.

Details Box H4743, Financial Times, One Southwark Bridge, London SE1 9HL.

EAST ANGLIA

Thriving UPHOLSTERY CURTAIN & FABRIC Business. Freehold shop, work shop, 2 bed apartment. Extensive range of fabric books, 7 professional staff. Delivery VAN. Freehold £295,000.

Apply to Robert Wells, 39 [illegible] St, Norwich. Tel. [illegible]

BUSINESS WANTED

CFL OPPORTUNITY KNOCKS !

We represent a substantial number of major PLC's in mergers and acquisitions who are constantly looking to acquire sound companies (UK & overseas) either for cash, equity or earn-out deals.

Although not limited to any specific business sectors we have particular requirements in the following areas: computer/telecommunications with maintenance portfolios; defence electronics; office automation; industrial/commercial property; leisure (new and established projects).

We would be pleased to hear from controlling directors and principals of companies with minimum turnover £1m and pre-tax profits £100k, with no upper limits.

For a copy of our corporate brochure and further details please telephone: PAUL HESKETH on 0625 536733.

DYNAMIC PLC

In high-growth industry, currently undergoing a substantial acquisition / development phase, seeks profitable high-quality printing and packaging businesses. Minimum T/O £1m.

Write Box F8635, Financial Times, 1 Southwark Bridge, London SE1 9HL.

LIGHT ENGINEERING COMPANIES WANTED

Successful MBO heading towards the market seeks to acquire companies with proprietorial products in this sector with PTP up to £1 million management to be kept to manage and consideration arrangements flexible.

Please reply in confidence to Box H4753, Financial Times, One Southwark Bridge, London SE1 9HL

ESTATE AGENCY

Small agency required in London SW1 area in middle to upper market. Write in strictest confidence to

F. Higgins FCA,
Higgins Fairbairn & Co.,
71 Duke Street, London W1M 5DH

Serviced Business Centres required for purchase by private company.

Write Box H4748, Financial Times, One Southwark Bridge, London SE1 9HL

TITLES SOUGHT

Well established London based magazine publisher seeks titles, slight preference to monthlies, although anything considered. Please send two different, recent copies and media pack to:

Box H4757, Financial Times, One Southwark Bridge, London SE1 9HL or telephone 01 340 0002

We are a profitable clothing manufacturer based in the North-West of England with the following strengths:

1) Young ambitious management team
2) £6M + turnover
3) Quality city centre Head Office building
4) In-house High Tech design and Admin. Facility
5) National Coverage of Own branded products
6) Contract supply base to most of UK High Street retailers

We seek to acquire an established business which would benefit by association with our core operations.

All replies in the strictest confidence to: Box H4754, Financial Times, One Southwark Bridge, London SE1 9HL

RETAIL TRADE

PLC seeks acquisitions in the retail trade. Turnover £500,000. to £3m. All companies considered.

Full details in confidence to Box H4756, Financial Times, One Southwark Bridge, London SE1 9HL

Commercial Property Portfolios and Companies wanted

From £1,000,000 to £20,000,000 Available. Agents retained where necessary

Write Box H4751, Financial Times, One Southwark Bridge, London SE1 9HL

Mergers & Acquisitions specialists wanted by fast-growing PLC. Write Box H4514, Financial Times, 1 Southwark Bridge, London SE1 9HL

HOTELS & LICENSED PREMISES

Humberts Leisure

The Combes Hotel, Woolacombe, Devon

- Purpose built holiday hotel in superb location
- 92 en-suite Bedrooms,
- 2 Bars, Ballroom, Restaurant and Meeting Room.
- Indoor Heated Swimming Pool, Games Room, Squash Court, Sauna/Solarium.

Freehold for Sale as a Going Concern

For further information and an appointment to view please contact James Devitt at the Vendor's Sole Agents:
Humberts National Leisure Division,
Tel: 01-629-6700 Ref JTD/3952/89

Leisure Industry, Hotels and Licensed Property Consultants

OFFICE EQUIPMENT

CITY BANK MOVES H.Q.

A very large quantity of Office Furniture is now surplus to requirements, over 1,000 people re-allocated.

EXECUTIVE SUITE OF ROSEWOOD DESKS, BOOKCASES, CREDENZA'S, BOARDROOM TABLES, EXECUTIVE/TYPIST/CLERICAL CHAIRS, SCREENS, FIRE RESISTANT CUPBOARDS ALSO LARGE QTY OF OAK AND TEAK DESKS.

PLEASE RING
01-549 9339

BUSINESS FOR SALE

CHESHAM. BECAUSE YOU ONLY SELL YOUR BUSINESS ONCE.

And you want the right buyer. With confidential briefs from hundreds of acquisitive public company chairmen who are looking to buy successful, private companies worth £500,000 to £25 million, we ought to be able to help. So if you're thinking of selling your business, contact our Managing Director to arrange a confidential discussion.

CHESHAM AMALGAMATIONS
The first name in merger broking.

Chesham House, 2 Bentinck Street, London W1M 6JX. Telephone: 01-935 2748

FIMBRA

BUSINESS FOR SALE

Microbiological Plate Producer/ Whole Blood Supplier
Cumbernauld

The business and assets of CC Laboratories Limited are for sale by its receiver. The business prepares and sells agar plates and whole animal blood for microbiological and medical applications.

- Annual turnover £1 million.
- High proportion regular repeat business.
- Leasehold premises of 15,000 sq ft.
- Extensive clean room facilities.
- Plant capacity 80,000 poured plates per week.

Enquiries on an urgent basis to the receiver:
ARD Jamieson, Price Waterhouse, 1 Blythswood Square, Glasgow. Telephone: 041-226 4593.
Fax: 041-221 6970. Telex: 778203.

Price Waterhouse

WHOLESALE FRESH AND FROZEN FOOD DISTRIBUTORS UCKFIELD, EAST SUSSEX

Offers are invited for the assets and business of The Food Department Limited. The company operates from leasehold premises in Uckfield, East Sussex, providing a quality food distribution service to the hotel and catering trade.

The premises have recently been equipted with new walk-in freezer and chiller units.

Sales are currently circa. £4,000 per week, only due to the limited trading history of the company although the business undoubtedly has great potential for expansion.

For further information please contact-

Mrs Vaughan on 0727 - 38255 or the Administrative Receiver

N J Hamilton-Smith
Morton Thornton & Co
Torrington House, 47 Holywell Hill
ST ALBANS Herts, AL1 1HD

COMPANY NOTICES

FBME MINT GUARANTEED PLC

NOTICE IS HEREBY GIVEN THAT the First ANNUAL GENERAL MEETING of the Company will be held at The Hotel Gray D'Albion, Cannes, France, at 11:00 a.m. on Saturday 3 June 1989, for the following purposes:

1. To receive the Accounts of the Company for the period ended 28 February 1989 together with the Report of the Auditors and the Report of the Directors.
2. To re-elect Mr A M Saab retiring from office.
3. To re-elect Mr D M Anderson retiring from office.
4. To re-elect Mr C Barrow retiring from office.
5. To re-elect Mr S C L Hickey retiring from office.
6. To re-elect Mr D J Pearmund retiring from office.
7. To re-appoint Coopers & Lybrand as the Auditors to the Company until the conclusion of the next General Meeting of the Company at which Accounts are laid before the Members and to authorise the Directors to fix the remuneration of the Auditors.

BY ORDER OF THE BOARD
LEGIBUS SECRETARIES LIMITED
Secretary
Dated the 1st day of May 1989.

REGISTERED OFFICE
Blackfriars House
19 New Bridge Street
LONDON, EC4V 6BY

PROXIES
A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him and such proxy need not be a Member of the Company.

SERVICE CONTRACTS
There are no Directors' Service Contracts.

ABN Bank

Algemene Bank Nederland N.V.
Incorporated in The Netherlands with limited liability
Final dividend for the year 1988

At the Annual General Meeting held on 28 April 1989, a final dividend of Dfls 1.45 per share was declared payable, at the option of the shareholders, in shares and cash or wholly in cash, as from 10 May 1989. [illegible]

Baring Brothers & Co., Ltd
8 Bishopsgate,
London, EC2N 4AE

Algemene Bank Nederland N.V.
61, Threadneedle Street
London, EC2P 2HH

Algemene Bank Nederland N.V.
61, King Street
Manchester, M2 4PD

Algemene Bank Nederland N.V.
35, Waterloo Street
Birmingham B2 5TL

[illegible]

Amsterdam, 1 May, 1989 The Managing Board

Mitsubishi Bank of Australia Limited

A$50,000,000

Floating Rate Notes due 1991

Notice is hereby given that for the three months interest period from 28th April, 1989 to 31st July, 1989 the Notes will carry an Interest Rate of 16.9033% per annum.

Interest payable on 31st July, 1989 will amount to A$2,176.59 per A$50,000 Note.

The Mitsubishi Bank, Limited
London Branch
Agent Bank

BOSTON INCOME INVESTMENT FUND, SICAV
Société d'investissement à capital variable
R.C. Luxembourg B 25255

NOTICE OF MEETING

Notice is hereby given that the Second Annual General Meeting of BOSTON INCOME INVESTMENT FUND, SICAV shall be held at the Registered Office of the Company in Luxembourg, 41, Bvd Royal on

Thursday, May 11, 1989 at 10 a.m.

for the purpose of considering the following agenda:

[illegible]

By order of the Board of Directors
Peter W. GERRARD
Director

BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV
Société d'investissement à capital variable
R.C. Luxembourg B 25256

NOTICE OF MEETING

Notice is hereby given that the Second Annual General Meeting of BOSTON INTERNATIONAL INVESTMENT FUND, SICAV shall be held at the Registered Office of the Company in Luxembourg, 41, Bvd Royal on

Thursday, May 11, 1989 at 2 p.m.

for the purpose of considering the following agenda:

[illegible]

By order of the Board of Directors
Peter W. GERRARD
Director

The Financial Times proposes to publish the following survey on May 12th, 1989.

PROPERTY IN LONDON DOCKLANDS

For a full editorial synopsis and details of available advertising positions.

Please contact:
Edward Batt
on 01-873 4196

or write to him at:
Number One,
Southwark Bridge, London SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

BOSTON LIQUIDITY MANAGEMENT FUND, SICAV
Société d'investissement à capital variable
R.C. Luxembourg B 25257

NOTICE OF MEETING

Notice is hereby given that the Second Annual General Meeting of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV shall be held at the Registered Office of the Company in Luxembourg, 41, Bvd Royal on

Thursday, May 11, 1989 at 11 a.m.

for the purpose of considering the following agenda:

1. To receive and adopt the Management Report of the Directors and the Report of the Authorized Auditor for the year ended December 31, 1988.
2. To receive and adopt the Annual Accounts for the year ended December 31, 1988.
3. To release the Directors and the Authorized Auditor in respect with the performance of their duties during the fiscal year.
4. To decide the appropriation of the earnings.
5. To increase the number of Directors from 5 to 7.
6. To appoint the Directors and the Authorized Auditor.
7. To transact any other business.

The resolutions shall be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the Registered Office of the Company at least 48 hours before the meeting.

By order of the Board of Directors
Peter W. GERRARD
Director

BOSTON EQUITY INVESTMENT FUND, SICAV
Société d'investissement à capital variable
R.C. Luxembourg B 25254

NOTICE OF MEETING

Notice is hereby given that the Second Annual General Meeting of BOSTON EQUITY INVESTMENT FUND, SICAV shall be held at the Registered Office of the Company in Luxembourg, 41, Bvd Royal on

Thursday, May 11, 1989 at 3 p.m.

for the purpose of considering the following agenda:

1. To receive and adopt the Management Report of the Directors and the Report of the Authorized Auditor for the year ended December 31, 1988.
2. To receive and adopt the Annual Accounts for the year ended December 31, 1988.
3. To release the Directors and the Authorized Auditor in respect with the performance of their duties during the fiscal year.
4. To decide the appropriation of the earnings.
5. To increase the number of Directors from 5 to 7.
6. To appoint the Directors and the Authorized Auditor.
7. To transact any other business.

The resolutions shall be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the Registered Office of the Company at least 48 hours before the meeting.

By order of the Board of Directors
Peter W. GERRARD
Director

BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV
Société d'investissement à capital variable
R.C. Luxembourg B 27278

NOTICE OF MEETING

Notice is hereby given that the First Annual General Meeting of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV shall be held at the Registered Office of the Company in Luxembourg, 41 Bvd Royal on

Thursday May 11, 1989 at 3 p.m.

for the purpose of considering the following agenda:

1. To receive and adopt the Management Report of the Directors and the Report of the Authorized Auditor for the year ended December 31, 1988.
2. To receive and adopt the Annual Accounts for the year ended December 31, 1988.
3. To release the Directors and the Authorized Auditor in respect with the performance of their duties during the fiscal year.
4. To decide the appropriation of the earnings.
5. To increase the number of Directors from 7 to 8.
6. To appoint the Directors and the Authorized Auditor.
7. To transact any other business.

The resolutions shall be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the Registered Office of the Company at least 48 hours before the meeting.

By order of the Board of Directors
Peter W. GERRARD
Director

BOSTON US GOVERNMENT INCOME FUND, SICAV
Société d'Investissement à capital variable R.C. Luxembourg B 26470

NOTICE OF MEETING

Notice is hereby given that the Second Annual General Meeting of BOSTON US GOVERNMENT INCOME FUND, SICAV shall be held at the Registered Office of the Company in Luxembourg, 41 Bvd Royal on

Thursday May 11, 1989 at 4 p.m.

for the purpose of considering the following agenda:

1. To receive and adopt the Management Report of the Directors and the Report of the Authorized Auditor for the year ended December 31, 1988.
2. To receive and adopt the Annual Accounts for the year ended December 31, 1988.
3. To release the Directors and the Authorized Auditor in respect with the performance of their duties during the fiscal year.
4. To decide the appropriation of the earnings.
5. To increase the number of Directors from 5 to 7.
6. To appoint the Directors and the Authorized Auditor.
7. To transact any other business.

The resolutions shall be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the Registered Office of the Company at least 48 hours before the meeting.

By order of the Board of Directors
Peter W. GERRARD
Director

Continental (Bermuda) Limited US$ 250,000,000 Floating Rate Notes due 2005 Guaranteed by Hungarian Foreign Trade Bank Ltd

Notice is hereby given that, as at the valuation date 2nd May 1989, the value of the zero-coupon obligations (or certificates representing interests in obligations) of the United States of America was US$ 59,599,450-00 and the value of the Company's reserve fund was US$ 46,211,315-66. The aggregate value of the Noteholders security was thus 42-32 per cent of the principal amount of the Notes outstanding at the valuation date.

The determination and publication of these figures is solely for the convenience and information of the Noteholders and shall not be binding for any purpose on the Trustee or the Reserve Fund Manager or the Reserve Fund Reporting Agent nor shall it be taken as a recommendation on the part of the Company, the Valuation Agent, the Guarantor, the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell or hold investments similar to the zero-coupon obligations of the United States of America or the Reserve Fund Investments.

Valuation Agent
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft

LEGAL NOTICE

NOTICE PERSUANT TO SECTION 175 COMPANIES ACT 1985 YORK INTERNATIONAL LIMITED - COMPANY NUMBER 1953148

Notice is hereby given that -

(a) At an extraordinary general meeting of the above named Company held at the Company's offices at Gardiners Lane South Basildon in the County of Essex on 26th April 1989 a special resolution was duly passed that a payment of EIGHT MILLION FIVE HUNDRED THOUSAND POUNDS (£8,500,000.00) out of the Company's capital (as defined in Sections 170, 171, 172 of the Companies Act 1985) in respect of the purchase by the Company from YORK INTERNATIONAL CORPORATION of ONE POUND (£1.00) each under Section 162 of the Companies Act 1985 be authorised.

(b) The amount of the permissible capital payment as defined by Sections 170, 171, 172 of the Companies Act 1985 was FIVE MILLION SEVEN HUNDRED AND SIXTY THOUSAND POUNDS (£5,760,000.00).

(c) The statutory declaration and auditors report required by Sections 173 174 of the Companies Act 1985 both of which are dated 26th April 1989 are available for inspection at the registered office of the Company at Gardiners Lane South Basildon Essex; and

(d) Any creditor of the Company may apply to the High Court under Sections 176, 177 of the Companies Act 1985 within the period of five weeks immediately following 26th April 1989 an Order prohibiting the payment.

Dated 26th April 1989

I. CAMPBELL - Secretary
By order of the Board

LEGAL NOTICES

1989 No: 4386p Ct S
ADVERTISEMENT OF HEARING OF PETITION
THE HIGH COURT
MR. JUSTICE BLAYNEY
IN THE MATTER OF:
INISHTECH CAPITAL FUND plc.
[In the process of changing its name to Inishtech plc.]
AND IN THE MATTER OF:
THE COMPANIES ACTS 1963 - 1983

NOTICE IS HEREBY GIVEN that a Petition presented to the High Court of Ireland on the 24th day of April, 1989 for an Order confirming the reduction of the capital of the above named Company by redeeming 710,076, 10% non-voting, cumulative preference shares of IR£1 by paying to the holders thereof an amount of IR£1 in cash for each such preferences share upon such cancellation so that the nominal share capital of the Company is reduced from IR£15,210,076 to IR£15,200,000 is directed to be heard before the High Court of Ireland on the 5th day of May, 1989 at 11 o'clock in the forenoon at the Four Courts, Dublin 7.

Dated this 25th day of April, 1989

WILLIAM FRY
Solicitors for the Company,
Fitzwilliam House,
Wilton Place,
Dublin 2.

CAN (UK) Limited

Registered No: 1696995
Trading name: CAN (UK) Limited
Name and address of joint administrative receivers: D J Stokes & M J Moore
Cork Gully 14 Cross Burgess Street
Sheffield S1 1QA
Date of appointment:
20 April 1989
Name of appointer:
National Westminster Bank PLC

COMPANY NOTICES

CENTRALE NUCLEAIRE EUROPEENNE A NEUTRONS RAPIDES S.A. - NERSA FRF 400,000,000 GUARANTEED FLOATING RATE NOTES DUE 1997

For the three months, April 27, 1989 to July 25, 1989, the rate of interest has been fixed at 8.5750% P.A.

The interest due on July 27, 1989 against coupon nr 1 will be for the denomination FRF 20,000, FRF 453.74 and for the denomination FRF 100,000, FRF 2,268.82 and has been computed on the actual number of days elapsed (91) divided by 360.

SOCIETE GENERALE ALSACIENNE DE BANQUE
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ARTS

Ghetto

OLIVIER THEATRE

The first thing to say in welcoming this overwhelming production for the National Theatre by Nicholas Hytner is that it puts us in immediate contact with one of the great modern creative houses. Joshua Sobol's 1984 cabaret documentary of the last days in the Vilna ghetto, moderately well adapted by David Lan for the NT, was first presented by the Haifa Municipal Theatre.

It is a chilling fact that subsequent, even more controversial plays than this, have compelled Sobol and his associates to abandon the theatre, a sort of Israeli Royal Court, they founded 20 years ago, after the Six Day War.

The contemporary Israeli theatre lives on the edge and on the brink, and the National does it honour in appropriately uncompromising fashion. Vilna, like the other Polish ghettoes at Warsaw and Lodz, had an orchestra. But they also had a theatre company, and Sobol takes their story as a backdrop to the devious power struggle between the SS Officer Kittel (Alex Jennings) and Jacob Gens (John Woodvine), the Chief of Jewish police.

Gens, the ghetto boss, said that he could save 10,000 Jewish lives by handing over 1,000. The play examines the nature of his compromise tactics while prompting wider questions of political compromise. There is nothing contentious here (as there was in Jim Allen's *Perdition*) about the Hungarian Jewish collaboration with the Nazis, but Sobol promotes Gens as a troubled hero, riven with both weakness and strength, and Woodvine offers a cadaverous picture of helplessness.

The idea of Kittel as a Nazi versed in Jewish culture, and the Talmud, is given an ironic double edge in the Second Act figure, also played by Jennings, of a non-Jewish archivist of Judaism without Jews in Frankfurt. He visits the ghetto librarian, Kruk (Paul Jesson), to [illegible] down material on a community that was reduced from 76,000 to 16,000 and finally liquidated just before the Russians arrived. And just before the first night of a Sholem Aleichem play.

[illegible] on tyranny, we see three [illegible] of the ghetto unceremoniously hanged for committing murder. The Jewish police mingle with the SS officers at a dance and the girls comply with some explicit sexual demands in a daring frieze. I am not sure the idea of passivity, of non-resistance, is sufficiently explored, though it is eloquently expressed in the white-faced, acrobatic mime of Linda Kerr Scott as the narrator's dummy.

This is a tremendous performance, and it has a vocal complement in Maria Friedman's yearning delivery of the ghetto songs that have been brilliantly arranged by Jeremy Sams. If the evening now conjures memories of Pip Simmons' *An Die Musik* crossed with *The Diary of Anne Frank*, its guiding spirits are surely Aleichem and Chagall, and the *Fiddler on the Roof*-style choruses do not lower the tone; they gloriously reinforce it.

As I recall the Haifa production, there was more emphasis on recollection and more shock value (obviously) to Doron Tavori's saxophone-blowing Kittel. Jennings remains a sardonically aloof character, but one for whom culture has a grim purpose of diversion. The actors persist with their satirical revue, culminating in an all-out Wagnerian rhapsody for saluting Hitlerites melding into a glorious "Ode to Joy". Jennings's Kittel applauds wildly, hands out challa bread and jam and pulls a grisly trick.

The stage is imaginatively occupied throughout, Bob Crowley's design deploying a Chagall-like receding domestic perspective cruelly imposed on Constructivist insets in a kingdom which was nearly a little Versailles for Gens, and a job opportunity for the bustling little tailor of Anthony O'Donnell, another notable performance.

Michael Coveney

Alastair Muir

Vanessa Redgrave

A Madhouse in Goa

LYRIC THEATRE, HAMMERSMITH

In spite of the unappetising title, we are off to sunny Greece in this strangely personal and intriguing double-bill by Martin Sherman. Both plays are about the loss of innocence, the corrosion of virtue and distortion of truth. The brilliant white light of Corfu in 1966 is succeeded by the sinister atmosphere on the volcanic Cycladic island of Santorini in 1990.

In *A Table For A King*, Vanessa Redgrave plays the wistful Mrs Honey from Mississippi who refuses to give up her prandial post for the visiting King of Greece in Laurence Durrell's favourite taverna. In *Keeps Rainin' All The Time*, Redgrave plays Heather, a folk singer and protective companion to a stricken writer whose book, eventually recognisable as the first play, is to be filmed as a musical; Mrs Honey is reported, by Heather, to have gone mad in Goa on discovering that the police lock you up until you know who you are.

So, identity crisis and notions of hospitality come into it, too. On Corfu, Mrs Honey teams up with another lost soul, the virginal Jewish American would-be writer who declares: "I wanna die; I wanna join a kibbutz" (Mrs Honey congratulates him on his sense of priorities). In the funniest sequence, young David is carefully seduced by a glistening waiter (Ian Sears) whose humming repertoire is drawn from the Beatles, the Mamas and the Papas, and the Lovin' Spoonful's *Summer in the City* album. Here is a soft Mediterranean echo of Sherman's telepathic mutual masturbation scene in the concentration camp of *Bent*.

David parts with a watch and confusedly sides with the taverna's conspiracy to plant it on Mrs Honey and force her to yield the table. The incriminating evidence is found in a jewel box. In the second play, Heather's son, in a parallel seduction initiated by the producer's girlfriend, becomes an agent of destruction on his aeroplane flight to Paris after an explosive is planted, also in a jewel box.

The callow writer in Part One, whose chronic inaudibility is masterfully conveyed by Rupert Graves, becomes a wild, staring Ben Gunn figure in Part Two, Arthur Dignam a messianic wreck whose conversation is restricted to gnomic phrases while the rumblings gather force and the cold wind blows in from the Levant.

The apocalyptic transformations — Corfu before the advent of the Colonels has become a paradisical memory frozen in fiction, as in Edith Wharton or Somerset Maugham — embrace all Sherman's characters. Larry Lamb's bronze-limbed host on Corfu is now a lascivious old acupuncturist dying of AIDS. Heather has cancer. The glib film producer (Graves in designer casuals and swishing pony-tail), who promises good visuals for all those who are not "listening-oriented," is also condemned.

Although the second play goes on a bit, and too much is too quickly crammed in, I respond with admiration, if not enthusiasm, to the evening's chaotic ambition, wry cynicism, and pervasive notion that the world has irredeemably changed for the worst.

Redgrave is dottily translucent as Mrs Honey, but has little to bite on in the second play (save one glorious but uncharacteristically Jewish line: "What kind of mother am I if I can't make my son feel guilty?"). Ian Sears is the outstanding performer in Robert Allan Ackerman's bumpy direction.

I can personally vouch for the authenticity of Ultz's evocation of Durrell's Corfu haunt, with its white walls, blue doors, oleander, bougainvillea and creeping vine. Durrell said that Santorini "could conjure up a backdrop suitable for a stage hell" which is what we get with the rumbling, the rain, and the vertiginous façade of the piled-up ghost town.

Michael Coveney

A Small Green Place

TOWNGATE THEATRE, BASILDON

Colin is a teenager, living with his widowed mother in an anonymous city. He longs for the countryside in which he was born, and only finds solitude in a stretch of derelict land in the middle of city. But the planners want to turn his piece of peace into a car park. Colin resists; he converts his friends to the cause and they lie down in front of the bulldozers until authority relents . . .

That, with very little trimming, is the plot of *A Small Green Space*, an opera for young people by Ilona Sekacz and Fay Weldon which has been commissioned by English National Opera's Baylis Programme. It is expressly designed for touring; the world première took place in Basildon's Towngate Theatre last Thursday, and moves to Barrow in Furness, Buxton, Glasgow and Bury St Edmunds before ending its run at The Place, London, in early June.

Sekacz's and Weldon's paean to the virtues of green consciousness and the power of community politics is neatly scaled for its purpose. The two parts play for an hour and a half. A corps of six professional singers from operatic and rock backgrounds takes the main roles, but the chorus members are to be recruited and rehearsed locally in each of the centres visited. The target audience is evidently the 15-18 age group, but musically or intellectually it is unlikely to hold many difficulties for children several years younger.

The story is presented with few frills and a minimum of background. With the exception of the hero Colin, and his mother Linda, the other protagonists are little more than stereotypes. There is the understanding girlfriend who encourages Colin's dreams of turning his small green space into a nature reserve, the punks who are converted to the cause of conservation by his quiet commitment, the planning aparatchik who is torn between manifest rightness and depersonalised officialdom, and the arch-capitalist planners who only back down when their image is threatened by adverse publicity.

The directness seems at first a virtue, but swiftly becomes the major stumbling block, as the shallow, almost naive moral is pointed and the work reaches its utterly predictable and woefully sentimental conclusion. Neither the issue nor the audience demands such bland, simplistic treatment as this: to assume that teenagers need everything to be painted in black and white and are incapable of appreciating arguments with subtlety or ambiguity, or that conserving the environment is just a matter of preserving everything from the predations of progress does nobody any favours.

Sekacz is a much admired composer for theatre and television, but little of this score has the memorability of her best screen work. The *West Side Story* singalong choruses and saccharine melodies seem to be self-consciously "written down" to the audience, while the jazzy accompaniments and low-density rock riffs try too hard to be all things to all comers. Weldon's libretto contains its fair quota of banalities, and few traces of the sharpness and precise observation of her work in other forms.

David Sulkin's production with designs by Jane Green has clearly been carefully considered and the professional and amateur elements have been well co-ordinated. Garry Magee sings Colin and has dubious task of projecting many of the most sugary vocal lines; he still manages to give the opera most of its depth. Stephen Austin also makes a mark as the reptilian planning officer Douglas, while there is noisy trio of punks led by Ismail Taylor-Kamara and Enid Williams. Everything about the project has to be applauded – except the end result.

Andrew Clements

Refugees from Beirut

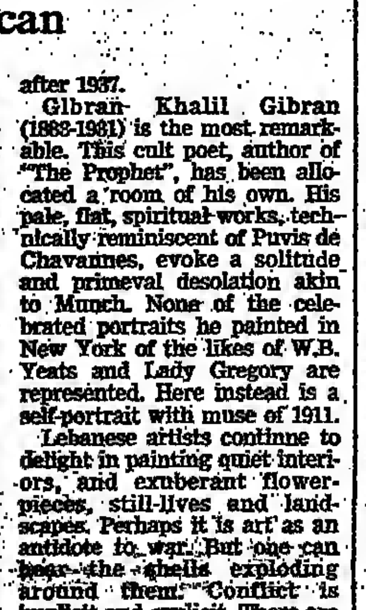
Susan Moore reviews the exhibition of Lebanese modern art currently at the Barbican

The prospect of this visit to the Barbican made me think of a recent trip to the Armenian island and monastery of San Lazzaro in Venice. After a tour of its library, approached via a vestibule decorated with Tiepolo frescoes, the Mekhitaristan Father proudly announced: "Now I will show you our gallery of modern Armenian art." Armenian art?

What is Lebanese art? Three years ago, the British Lebanese Association set out to inform us. Its current exhibition at the Barbican (until June 2) brings together the work of 70 artists (266 exhibits) from the late 18th century to the present day. Emphasis rests squarely on the 20th century and the period since Lebanon's independence in 1943. Loans have come from Beirut private collections, and the city's Sursock Museum and American University as well as from private collections in France, the US and Britain.

The result is a curious concoction of the naive, the accomplished and the indifferent — School of Paris and Hyde Park railings. It is impossible to walk around the gallery without indulging in historical recognition: Sargent, Renoir, Cézanne, Picasso, Matisse, Klee, Hartung, Dufy . . . Their influence is unmistakable.

An impressive portrait of a benevolent Patriach Mikhayil Fadel by Moussa Dib, the acknowledged father of Lebanese art, presides over the opening section. This canvas apart, the religious painting is hieratic, screamingly provincial and strangely unspiritual. Madonnas, saints and patriarchs have one foot in Europe and the other in the Orthodox Near East.



"Appeal to the Spirit" by the cult poet Khalil Gibran, c. 1925

Ox-blood red stippled backdrops in the manner of Renoir are popular in secular as well as religious portraits. It is with Daoud Corm that the genre at last becomes refined and problems with perspective and technique overcome. Corm trained in Rome in the 1870s, later working as a court painter to Leopold II in Belgium. Despite that, his oval images recall the frozen portraits of Edwardian photographs.

As the exhibition continues, a dozen or so talents begin to register: Chafic Abboud, Saliba Douaihy, Mustafa Farrouk, César Gemayel, Paul Guiragossian, Hussein Madi, Farid Mansour, Omar Onsi, Habib Srour. Some are émigrés; others, like Georges Cyr or Claire Sununu, are Lebanese by adoption. Virtually all appear to have been trained in either Paris or Rome, although an academic art education was available after 1937.

Gibran Khalil Gibran (1883-1931) is the most remarkable. This cult poet, author of "The Prophet", has been allocated a room of his own. His pale, flat, spiritual works, technically reminiscent of Puvis de Chavannes, evoke a solitude and primeval desolation akin to Munch. None of the celebrated portraits he painted in New York of the likes of W.B. Yeats and Lady Gregory are represented. Here instead is a self-portrait with muse of 1911.

Lebanese artists continue to delight in painting quiet interiors, and exuberant flowerpieces, still-lives and landscapes. Perhaps it is art as an antidote to war. But one can hear the shells exploding around them. Conflict is implicit and explicit. There are collages of disaster, images of wounded militia, and men whiling away the war playing cards. Farid Mansour is white-eyed and half-starved in a compelling self-portrait of 1982. Mouna Bassili Sehnaoui paints a stylised frieze of grieving women; Claire Sununu, a brothel after bombing — Ingres odalisques amid gaping masonry.

That these works of art are here at all is a tribute to the pride and spirit of the beleaguered Lebanese. Three days before the airport closed 105 canvases left West Beirut. The 78 stranded in the sealed off East sector made the last ferry to dock at Larnaca. The artists' intention is not to plea for compassion, but for dispassionate critical attention.

Is there a distinct Lebanese "school" of painting? I suspect the answer is no. What is clear, however, is the confidence and individuality of the voices emerging from the cultural renaissance that took place in Beirut in the 1950s and '60s.

The Bourgeois Gentilhomme

ORANGE TREE, RICHMOND

The franglais title bodes ill and the production gets off to a slightly unfocused start, as if a full-scale musical were uneasily flexing its muscles in the constricting space of Richmond's little pub theatre. The production has some raw edges and some of the acting seems stylistically uncertain; but Sam Waters' production has a generosity, warmth and cheerfulness that ultimately endear.

The production keeps an eye on panto traditions: in a singalong the audience provides the ground bass to a catch sung by the false-moustachioed chefs and waiters at M. Jourdain's feast. The table has been laid and the meal served with much catching of flying plates and bread-roll juggling. The latter, alas, has nothing to do with today's yahoo yuppies. Mr Waters is evidently stumped for a modern equivalent of well-heeled aspirant gentility.

The romp he settles for is good enough, especially when put over by a singularly polished cast. Two of the company have composed the attractive pastiche music; another two have choreographed the dances, by turns stately or wittily self-parodying. It merely seems unfair that the jollity leaves a blank where the leading character should be.

David Timson recently played Billy Bunter in a musical at Exeter, and something of the Owl of the Remove still clings. This nouveau riche is a fat young wimp, played a bit too much on one note, whether nervously mirthful when uncomprehendingly subjected to counter-tenor arias or splutteringly effusive in the presence of The Quality. A faint but unmistakable resemblance to Benny Hill pays dividends by the end, and Mr Timson is a good audience warm-up man who would be valuable in panto. *C'est magnifique mais ce n'est pas Molière.*

Alastair Muir

David Timson

What a francophone thinks of it is kept quizzically enigmatic by Philippe Giraudeau as juve lead, co-choreographer and sundry servants, attendants and artisans. He follows in Yvonne Arnaud's footsteps as a charmingly accented fixture on the English-speaking stage. Robert Daws switches with masterly ease from comic Cockney servant to accomplished musician; his female counterpart, Saira Todd, is a Mummerset maid who happens to be a dab hand on the bassoon and harpsichord. The sneering aristos are stylishly done by Andrew Branch and Tilly Tremayne. Anne Gruenberg's design changes the small room that makes up the theatre into a rococo space with simple panel motifs and *trompe l'oeil* ceiling caryatids. Enjoyable, but eight months too early for Christmas.

Martin Hoyle

SALEROOM

A week for modern masters

Tonight Sotheby's starts a week of auctions in New York which should make or break the market for Impressionist, modern and contemporary art. First off the starting line is contemporary art, with estimates of one, two or three million dollars commonplace for pictures painted within the last 40 years.

Christie's has a large 1974 Robert Motherwell, one of his series of Spanish Elegies, as its star attraction; but two works by Franz Kline, a triptych of 1949 by Jackson Pollock, a small Jasper Johns, a silk screen Marilyn Monroe by Warhol and a teasingly attractive Lichtenstein are all expected to sell well. Hockney's "The Room, Manchester Square," will probably exceed its high estimate of $900,000.

The Sotheby's sales are more exciting and include a 1961 Hockney with an estimate of $1m. There are two striking and important works by Francis Bacon, "Study for portrait of Van Gogh II" (up to $2.5m) and "Triptych May-June" ($3m-$4m). Two drip paintings from 1949 and 1950 by Jackson Pollock have staggering estimates of up to $4.5m and $10m respectively.

Sotheby's claims that its Impressionist and Modern sales next week are "among the most impressive we have ever assembled," while Christie's looks forward to "one of the strongest sales we ever have ever had." At Christie's there are no fewer than seven works by Monet, 13 by Renoir, five by Degas and 12 by Picasso and included are two special collections: that of Mr and Mrs Daniel C. Searle (Chicago pharmaceuticals) and the late film producer Hal B. Wallis.

The Searle collection of landscapes has been assembled over the past two decades. Orginating in lofty aesthetic ideals and now despatched through business acumen, the collection includes a Gauguin of 1894 with an estimate of up to $10m; a Renoir "Le pont d'Argenteuil" of 1882 (estimate up to $6m); a Braque (up to $1.5m) and a very striking Egon Schiele of roof tops, dated 1917 ($2m-$3.5m).

Hal Wallis has bequeathed a Gauguin to the Los Angeles County Musuem, but the remainder of a small but choice collection is to be sold. The main work is a Degas ballet dancer ($5m-$7m); but the sale also includes an important flowerpiece of asters in a Chinese vase by Monet. This is dated 1880 and is estimated at up to $7m.

The nine paintings from the collection of Jaime Ortiz Patino are of superb quality: they will be sold by Sotheby's. On the death of his mother in 1980 he inherited a Renoir masterpiece (now to be sold, estimate $9m-$12m), and set about acquiring equally significant Impressionist works to accompany it. There is a wonderful light early Monet of a boating party ($9m-$12m); a Pissarro of the same date and similar in palette (up to $2m); a Cezanne still life of 1893-94 ($8m-$10m) and most stupendous of all a Tahitan Gauguin "Mata Mua (in olden times)" of 1892 ($20m-$25m).

The highlight of Sotheby's main sale is Picasso's famous "Self portrait" of 1901 "Yo Picasso" ($15m-$20m). Traditional in composition and showing the artist at his easel wearing a white smock with a brilliant orange cravat, it is an impudent image. Its provenance is interesting. It was bought by the poet Hugo von Hofmannsthal in 1912 with the royalties from his libretto for Richard Strauss's Der Rosenkavalier.

By Homan Potterton

ARTS GUIDE

April 28-May 4

OPERA AND BALLET

London

Royal Opera, Covent Garden. *La clemenza di Tito*, one of the Royal Opera's most admired Mozart productions of the postwar period, returns with its original conductor, Colin Davis. Stuart Burrows takes the title role, and the cast also includes Carol Vaness, Anne Sofie von Otter and Anne Mason. Peter Hall's celebrated Glyndebourne production of *Albert Herring* is borrowed for a first London showing, Roger Norrington conducts, and the cast is the original one: Pauline Tinsley, Felicity Palmer, Elizabeth Gale, Alexander Oliver, Jeffrey Black, and John Graham-Hall in the title role. *Swan Lake* is danced to Petipa/Ivanov choreography in the production by Anthony Dowell, which is conducted by Mark Ermler.

English National Opera, Coliseum. Josephine Barstow returns for a further series of *The Makropoulos Case*, a Janacek opera in whose leading role she excels. Charles Mackerras, perhaps the world's leading Janacek conductor, also returns to the ENO, and the cast includes Philip Langridge and Donald Maxwell. More performances of the disappointing new *Eugene Onegin*, musically strong (with Jonathan Summers in the title role and Marie McLaughlin as Tatyana) but clumsily staged.

Amsterdam

Muziektheater. Netherlands Opera double bill of Ravel's *L'Heure Espagnole* and Falla's *El Retablo de Maese Pedro*. Kenneth Montgomery conducts the Netherlands Philharmonic, with Anne Howells, Hein Meens, Gilles Cachemaille and Thierry Dran.

Paris

Grand Palais des Champs Elysées. Bejart Ballet Lausanne, a world premiere of *1789 ... et nous* in the framework of La Danse en Revolution (48787815).

Opéra. Tchaikovsky's *Sleeping Beauty* in Nureyev's choreography after Petipa alternating with performances of Busoni's *Doktor Faust* in a co-production between English National Opera and Deutsche Oper, Berlin (47425371).

Vienna

Staatsoper. In repertory: *Moses und Aron* conducted by Horst Stein, with Noriko Sasaki, Anna Gonda, Hans Christian, Peter Jelosits; *La Forza del Destino* conducted by Garcia Navarro, with a cast including Eva Marton, Waltraud Winsauer, Juan Pons; *Die Zauberflöte* conducted by Nicholas Harnoncourt, with a cast including Luciano Serra, Joanna Borowska, Gabriele Sima and Heinz Zednik; *La Fille Mal Gardée* conducted by Caspar Richter; *Aida* conducted by Garcia Navarro, with a cast including Anna Tomowa-Sintow, Grace Bumbry, Franco Bonisolli. (Tel: 51444, ext. 2660).

Volksoper. The week's performances include *Die Fledermaus*, *Kiss me Kate*, *Hoffmanns Erzählungen*, *Die lustige Witwe*, *My Fair Lady* and *Die Zauberflöte*. Ballet: *Arthur Schnitzler und sein "Reigen"* (51444, ext. 2662).

Milan

Teatro Alla Scala. Anita Magyari and Alessandro Molin in *Raymonda* with choreography by Yuri Grigorovich, conducted by Michel Sasson. Also Antonello Madau Diaz's production of Verdi's *Luisa Miller*, conducted by Zoltan Pesko and designed by Maurizio Balo. The cast is led by Katia Ricciarelli, Paata Burchuladze and Giorgio Zancanaro (80.91.26).

Rome

Teatro Dell'Opera. Beni Montresor's production of Rossini's *Zelmira*, set in the Napoleonic era, sets out to emphasise the grandeur of the music as opposed to the infinite complexities of the plot. An excellent cast led by American tenor Chris Merritt, with Cecilia Gasdia, Rockwell Blake and Simone Alaimo, conducted by Evelino Pido (46.17.55).

Venice

Teatro la Fenice. Emil Tchakarov conducting Purcell's *Dido and Aeneas*, arranged by Benjamin Britten, and Stravinsky's *Oedipus Rex* (with text by Jean Cocteau). A fine cast which includes Lucia Valentina Terrani, tenor William Pell, basses Michele Pertusi and Laszlo Polgar and the young soprano Alessandra Ruffini (5210161).

Turin

Teatro Regio. Massenet's *Manon* with the delightful Fiammo Izzo d'Amico in the title role and Mario Bolognese alternating with Mauro Buffoli as the Chevalier Des Grieux (548.000).

Berlin

Opera. Performances now: Theater des Westens: *Der Liebestrank* returns with Jane Giering. Gösta Winbergh, Manfred Roehrl and Ingvar Wixell. *Così fan tutte* in *Götz Friedrichs* production, conducted by Heinrich Hollreiser features Angela Denning, Carol Malone, Mariana Cioromila, Keith Lewis and Lenus Carlson.

Hamburg

Opera. Wolfgang Rihm's opera *Die Hamletmaschine*, produced by John Dew is an important contribution to the development of modern opera. *Otello* stars Gabriela Benackova, Wladimir Atlantow, Piero Cappuccilli and Hein Kruse. *Fausts Verdammnis* has fine interpretations by Delores Ziegler, Keith Lewis, Franz Grundheber and Harald Stamm. *Don Pasquale* features Hellen Kwon, Giorgio Tadeo and Urban Malmberg. *Manon Lescaut* with Mara Zampieri and Hans Helm rounds off the week.

Cologne

Opera. Cologne honours the great producer Jean-Pierre Ponnelle, who died last year, by restaging the complete Mozart cycle of seven operas, all produced by him. this week's performances include *Die Hochzeit des Figaro* sung by Claudio Nicolai, Margaret Price, Teresa Ringholz and Anton Scharinger, and conducted by Sir John Pritchard.

Frankfurt

Opera. *Rigoletto* is sung by Michal Shamir, Margit Neubauer, Pia-Marie Nilsson and Juri Sinovenko. *Rusalka* has fine interpretations by Eva Randova, Clarry Bartha, Manfred Schenk, Allan Glassman and Kristine Ciesinski. Behind the China Dogs has wonderful William Forsythe choreography.

New York

Metropolitan Opera. The final week of the season is dominated by the complete cycle of *Der Ring des Nibelungen* conducted by James Levine. In this ambitious undertaking, Gwyneth Jones sings Brünnhilde, William Johns is Siegfried and James Morris is Wotan. In the only other production, Kathleen Battle sings Adina and Luciano Pavarotti appears as Nemorino in *L'Elisir d'Amore*, conducted by Marcello Panni. Lincoln Center Opera House (362 6000).

New York City Ballet. The 90th New York season continues with Balanchine's *Mozartiana* and features *Danses Concertantes*, which Balanchine created in 1944 for the Ballet Russe de Monte Carlo and has not been seen since 1977. Ends June 25. Lincoln Center, New York State Theatre (877 4700).

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Union for a free Europe

EUROPE IS now living through a period which in retrospect will almost certainly be seen as the most decisive in its history since the immediate postwar years.

Changes in the East have seriously called in question the notion of a monolithic communist bloc, and hold out at least the possibility that the postwar division of Europe may be overcome. This has coincided with the closer integration of western Europe in and around the European Community, through the adoption of the Single European Act and the 1992 programme; and with economic weakness in the US that has reduced that country's ability to bear the full burden of world leadership, causing it to shift some of its attention away from Europe towards Japan and the Pacific.

That does not mean that the postwar system of military alliances is about to disappear. It does mean that very important changes may be beginning to happen both in the relations between those alliances and in the relations between their different members. Many Europeans sense, and rightly so, that they now have a unique chance to shape the destiny of their own continent, a chance which they cannot afford to miss.

Various institutions are available to them for doing this. The Council of Europe, with its admirable Convention on Human Rights, expresses Europe's collective desire to maintain a common civilisation with personal freedom at its heart, and provides a structure into which states can be welcomed as and when they are able to live up to that ideal and be judged by it. The Western European Union is the body best qualified to define, and perhaps eventually organise, a specifically European defence role within Nato. The Helsinki process (CSCE) is proving an increasingly valuable structure for bridging the East-West divide in both military and civilian matters.

Central core

But the European Community is more and more clearly the central core within which Europeans of different nationalities can live, work and exchange goods and services on an equal footing. Even states which hitherto held aloof from it now find themselves obliged to conform to its rules and seek closer involvement with it – even to consider applying for full membership. By the same token, it is the body which can best articulate a common European view on world affairs, and defend common European interests in dealing with the rest of the world.

Almost all of its members feel that as yet it does these things only imperfectly, and that its institutions need further adaptation to enable it to do them better – the most immediate question being the need for closer monetary union to underpin the single market. Behind that apparently technical argument lies the feeling that the Community cannot stay still where it now is: that the unification of the market is impelling it towards greater political unity.

British freedom

The British Prime Minister, virtually alone, proclaims her determination to resist that impulse, ostensibly in order to defend British freedom against an attempt to recreate at European level the interventionist and protectionist dragons she has slain at national level, "with a European super-state exercising a new dominance from Brussels." In so doing she confuses two separate arguments.

It is indeed important that the future Europe should be liberal, non-interventionist, open to competition from the wider world. It is also important that it should be democratic, which implies (though Mrs Thatcher would be the last to say so) that Community law should be made by the directly elected parliament, not by ministers delegated from national governments.

But neither freedom nor democracy can be equated with national sovereignty, which in monetary matters is in any case now more myth than fact. On the contrary, both are better served by a division of power between different authorities – some at local, some at national and some at supranational levels. If British ministers are genuinely concerned with the autonomy of individuals, rather than with their own "sovereign" right to regulate that autonomy in the supposed national interest, then they should throw themselves whole-heartedly into the process of European integration in order to exert a liberal influence on the outcome. In the specific context of monetary union that would mean letting Britain join in the debate as a full member of the existing European Monetary System.

In six weeks' time people all over the Community will be electing a new European Parliament. The parties which deserve to win will be those that present the most convincing programme for creating a genuinely free Europe, in all the senses of that term.

A flawed US trade policy

WHEN THE US Trade Act was passed by Congress last summer, Washington's trading partners could afford to feel reasonably relaxed. The supposition was that a steadily falling trade deficit would allow the Administration to implement its many provisions with the minimum amount of aggression.

Now that the deadline is drawing close for implementation of the key requirement for action against countries which impose particularly egregious barriers to US trade, that complacency looks somewhat misplaced. The improvement in the trade deficit has come to a halt, anti-Japanese feeling is as strong as ever, even in parts of the Administration, and a truculent Congress is determined not to let President Bush slip into what it perceives as the malign neglect of trade of his predecessor.

Unusually close attention is thus being paid to this year's compendium of barriers facing US exporters. Published at the weekend by the US Trade Representative, the list provides the basis on which decisions will be taken at the end of the month on which countries to single out for special action under the Trade Act's so-called Super-301 clause.

Barriers

This clause requires the Administration to identify those countries which impose the most serious barriers to US exports and negotiate the impediments away over three years under threat of sanction. The three-year period was carefully chosen to allow most of these negotiations simply to be folded in to the Uruguay Round of multilateral trade talks.

This seemingly moderate approach was considered a marked relief from the more aggressive conditions of the Gephardt amendment that it replaced. However Super-301 is still a fundamentally flawed provision and incompatible with the smooth working of the multilateral trading system on which all countries, including the US, ultimately depend.

Resentment

The negotiations which it mandates will not only lead to resentment among trading partners who feel victimised by unilateral denunciation and arbitrary threat of sanctions. Super 301 also sets the US firmly on a path of seeking bilateral solutions to its trade problem. This could lead quickly into the realm of managed trade and all too easily undermine efforts to strengthen the multilateral system through the Uruguay Round.

Unfortunately the Bush Administration cannot now wriggle out of its obligations under the Act. Despite the domestic pressures it is facing, it should none the less strive to keep its Super-301 list to an absolute minimum and bear in mind that its best chances of negotiating away those practices it condemns still lie in the Uruguay Round.

Contrary to what many Congressmen now claim, the Super-301 does not offer an opportunity to enhance economic security by wishing away foreign competition. The only real guarantee of economic security would be a more balanced fiscal policy.

Super-301 could ultimately have the perverse effect of damaging the long-run economic security of the US. It sets a precedent for other countries to impose sanctions of their own against the US in future years when Washington will be seeking to run a large trade surplus to offset its increasing stock of external debt.

Citicorp
*Assets: $210.7 bn
- Plans to expand its underwriting of issues backed by assets such as credit card receivables in the US as well as overseas.
- At end-1988, Citicorp was a senior creditor for $4.2 bn of US leveraged buy-out loans.

Chase Manhattan
*Assets: $100.2 bn
- Determined to boost its profitability through imaginative corporate finance deals such as the equity stake it took in Cain Chemical.
- Achieved 80 per cent jump in revenues from investment and merchant banking in 1988.

JPMorgan
*Assets: $99.3 bn
- Wants to use its bond underwriting prowess, proven in overseas markets, at home, and tap liquid US markets.
- 9th in 1988 Eurobond underwriting rankings.

Security Pacific
*Assets: $82.3 bn
- Has already been heavily involved in financing leveraged buy-outs of medium-sized companies. Now wants to underwrite these deals as well.
- Has an investment Centre in Seattle where customers can buy certificates of deposits, bonds, gold and silver.

Bankers Trust
*Assets: $61.5bn
- Has already de-emphasised traditional banking in favour of corporate finance and trading. Moved from 24th place in Eurobond underwriting in 1987 to 12th place last year.
- In 1982, 25 per cent of net income came from fees. 1988 figure: 62 per cent.

* Assets at March 31 1989

Janet Bush on the securities industry ambitions of US commercial banks

Five banks with universal plans

Despite the expensive and sometimes humiliating lessons of their all-out assault on overseas securities markets, US commercial banks are still staunchly committed to building an investment banking business at home and expanding abroad.

This is the time for making strategic decisions. There has already been significant erosion of the 1933 Glass-Steagall law separating commercial and investment banking, which opens up opportunities in the securities business at home.

For many, London provided an object lesson in how not to take advantage of such opportunities.

Nowhere did the banks' vainglorious ambition to become full-service global finance houses, offering not only traditional banking but also trading and underwriting a broad range of debt and securities, founder more clearly. It has not just been a problem with the over-broked London gilts and equities markets, although the retreat from the enormous commitments made to Big Bang has perhaps seen the swiftest bout of blood-letting.

Less well publicised is the fact that, in 1988, only four US houses made it into the top 15 of the Eurobond underwriting rankings – and only two of them were commercial banks, J.P. Morgan in ninth place and Bankers Trust in 12th. American houses had dominated the market for most of the 1980s: they prudently retreated as the capital-rich Japanese banks bought their way into the business, sometimes at great cost.

More important, the sudden collapse of the perpetual floating rate market in 1986 and 1987 and the damaging ripple effect on other Euromarkets taught commercial banks that once liquidity dries up, a market can simply disappear.

Nevertheless, the global ambitions of the largest handful of US commercial banks remain unscathed – though the rhetoric has become more measured.

There is a litany of phrases which turns up repeatedly in talks with the commercial banks: no profits bonanza, building on strength, designing our product base to fit our customer profile, cost consciousness, niche-oriented.

Mr John Olds, in charge of J.P. Morgan's investment banking business, said: "The perpetual experience made us more aware of how change in one market can have an impact on other markets which, after all, is the lesson of globalisation. The linkages are not always clear before the event and our response has become a lot sharper about risk and return on capital."

J.P. Morgan is one of five US banks generally agreed to have a shot at entering a super league of international financial houses. The others are Citicorp, Chase Manhattan, Bankers Trust and Security Pacific in Los Angeles.

None of their rivals are prepared to compete in the global securities markets and few want to try. Chemical Bank appeared to be gearing up for an expanded securities operation but baulked at committing itself at this stage. Manufacturers Hanover believes its future lies in building niche businesses in the US and, to a limited extent, in overseas markets.

There are several reasons behind the five banks' commitment to expanding their securities operations.

They want to compete globally and believe they have the muscle to do so. Expansion into securities underwriting within the US will, they believe, provide a fuller service to their international clientele by providing access to huge and sophisticated US capital markets at the same time as diversifying risk.

The Federal Reserve had granted these five banks powers to underwrite debt offerings in the US, subject to various capital adequacy requirements, and it approved equity underwriting from next year. That decision is being challenged in the courts, however, by the Securities Industry Association, in a rearguard action against expanded bank powers which has so far been largely unsuccessful.

The banks believe that only with a full banking and securities underwriting capability will they be able to compete with overseas institutions untrammelled by Glass-Steagall. The growing trend to securitisation – turning loans into tradeable securities – makes an increasing portion of commercial banks' business vulnerable to competition from investment bank rivals. They believe that there are no longer any important distinctions between commercial and investment banking and that current regulations are illogical and backward.

Mr Michael Callen, in charge of Citicorp's investment bank, gives an idea of how the current regulations limit commercial banks. Citicorp can underwrite subordinated debt but has to place privately it in the US or place it overseas.

"Take a $400m subordinated debt issue. You may have to sit with that for six months before you get it all out which could result in market losses," he said. "If you are Drexel Burnham, you know that you can place $400m by telephone tomorrow."

Mr Richard Huber, head of Chase Manhattan's securities arm, believes that there is precious little difference between the techniques of selling on loans, and underwriting and distributing corporate bonds; or between arranging private placements of US equities and underwriting publicly registered equity offerings.

"So, what is lacking? Really, we feel that there is no new expertise and no new skills that we have to learn to be able to underwrite positions and trade corporate bonds and equities," he said. "If you tried to explain the US banking system to a Martian, he would think you had escaped from an asylum."

Banks still cannot underwrite asset-backed debt issues even when they are generated, for example, by credit card receivables and mortgages from their own balance sheets. Unless the issue is done overseas, it must still be underwritten by a securities house.

Although regulation remains an active issue, banks have been gearing up in anticipation of expanded powers

US commercial banks have been active for some time in this and every other area of the securities business overseas but have not been allowed to compete in their home market.

Mr Olds of J.P. Morgan, a bank with a large stable of top tier corporate customers, believes a US dimension is crucial to its international securities business.

"The US is an enormous capital market with a lot of liquid instruments. That liquidity and name recognition and the ability to do things in the cash and futures markets in the US adds enormously to our inter-market capability," he said.

If the Euromarket does not recognise a corporate name and therefore will price an issue less favourably, perhaps it can be done at a better price in the US, he argues. Maybe a debt or equity issue is too large for the Euromarket to absorb without the participation of US institutions.

When bankers talk about their securities ambitions, they talk in global terms with an obvious emphasis on corporate finance, the tempting, high-margin area targeted both by banks and securities houses.

A commercial bank can act as financial adviser on a takeover proposal, arrange the financing but – as things stand in the US – must still forgo the fee for underwriting any debt or equity involved in a deal in favour of a rival securities house. And in recent years, not only have commercial banks become increasingly active in securities activities but securities houses have started behaving more like banks.

Citicorp's Mr Callen talks about the revolution in corporate finance engineered by Mr Michael Milken, formerly of Drexel Burnham Lambert. He used his personal clout in the industry to turn a letter in which the brokerage said that it was "highly confident" of getting the financing for a takeover deal into a guarantee that the funds would be available.

In order to break Drexel's stranglehold on junk bond financing, other securities houses were forced to go one better and put their own capital on the line, very much like a bank.

Persistent efforts by the SIA to prevent banks getting more powers are meeting with less and less support even within the securities industry.

Apart from the prospect of remaining restrictions under Glass-Steagall being lifted, commercial banks see other regulatory opportunities this year.

Of great importance, for example, are the Securities and Exchange Commission's proposed new Rule 144a (which would simplify issues in the private placement market) and the Federal Reserve's Regulation K, which limits the underwriting and trading positions of commercial banks overseas. The Fed is due to reconsider Regulation K this year.

The potential for regulatory adjustments is not, however, all positive for the banks. They are concerned that the Fed may be considering whether to require "firewalls" between commercial banks' traditional banking business and their securities activities overseas as well as at home. The banks argue that constructing such firewalls overseas would severely undermine their competitiveness against foreign banks because of the enormous costs involved.

Although regulation remains an active and complex issue, the banks have been gearing up in anticipation of expanded powers.

Bankers Trust is a good example of a bank which has already transformed its business, de-emphasising traditional commercial banking and emphasising fee-earning business. In 1982, 25 per cent of its net income came from earning fees. By 1988, that figure was 62 per cent. "I think both our head and our heart is already in the fully-fledged securities business," said Mr Howard Schneider, head of BT Securities Corp.

Mr Jim McDermott, banking analyst with Keefe Bruyette & Woods, believes that Bankers Trust and J.P. Morgan have gone further than any other banks to position themselves in the securities business. "Those two have moved aggressively in integrating their cultures and are now trying to capture market share," he said.

He ranks the capability of Citibank and Chase Manhattan next, with Security Pacific a rather distant fifth.

Mr McDermott believes that even these five will find it extremely tough going. "At this point in the cycle, the securities industry is facing considerable competitive pressure, margins are slimming and there is the prospect of a whole array of new competitors," he said. "Anyone who thinks that the incremental profitability at this early stage is going to increase significantly is going to make an error."

Mr Doug Ebert, head of investment banking at Manufacturers Hanover, which made the conscious decision to steer clear of London's Big Bang and has not applied to the Fed to underwrite debt or equity, said: "The red ink has only just begun to spill in London."

Nevertheless, pride and an inexorable search for different sources of profit are formidable motivations.

There is no doubt of the rewards of non-traditional business when things go well. Chase Manhattan made $224m in net earnings in the second quarter of 1988 on "relatively flat net interest income and increases in trading account income, investment securities gains and trust and fiduciary fees."

Making a spectacular one-off contribution to its earnings, however, were the proceeds from an equity stake taken in Cain Chemical which was then sold to Occidental Petroleum, netting the bank $69m.

"We can't make loans any more. Our strategic options are to do this (securities business) or shut up shop," said Chase Manhattan's Mr Huber. "Perhaps it is not as dramatic as that but we should have a Cain Chemical every quarter – and eventually we will."

OBSERVER

Aerospace races

■ An accountant, an engineer and a marketing man head the starting-grid among internal aspirants at British Aerospace to succeed Admiral Sir Raymond Lygo as chief executive. Sir Raymond, erstwhile commanding officer of the Ark Royal, is 65 and his contract expires next March. He has the option to leave earlier. Bets on the succession were re-opened when the favoured Canadian Sir Graham Day left BAe's Rover subsidiary in January for Cadbury Schweppes, where he takes over as non-executive chairman tomorrow.

Another knight who must have had his eyes on the post is Sir Colin Chandler, who was seconded from his job as marketing director at BAe in 1985 to head the Defence Export Services Organisation at the MoD. He leaves that job in the summer, but remains a key figure in the vast UK-Saudi arms deal he negotiated there. A one-time commercial apprentice at De Havilland, the 49-year-old Sir Colin would be a popular choice in the company, but apparently not at board level. He was expected to move instead to Westland, but the helicopter group last week recruited Alan Jones, managing director of Plessey's defence side, to fill its vacancy at the top.

Three internal candidates now head the field. The accountant is Dudley Eustace, 52, finance director since last year, a recent recruit from the aluminium industry. The engineer is Sydney Gillibrand, 54, chairman of BAe (Commercial Aircraft). And the other, a contracts-officer-cum-project manager-cum-marketing-man, is Dick Evans, 46, chairman of BAe's defence companies, who is nicely described by one associate as being both "blunt" and "sharp."

Burst bourse

■ Co-operation among West Germany's eight sometimes fractious bourses is not always easy, so when one of the leading lights of the Frankfurt private banking scene suddenly gives up his post as president of the city's stock exchange, tongues start to wag.

What they are saying is that there is more to the decision by Mr Michael Hauck, senior partner of the bank of the same name, to resign from the largely representative post than meets the eye.

Mr Hauck, an Anglophile banker with a love for labradors and a perfect command of English, announced his resignation a la Karajan on the grounds that Dresdner Bank had picked off one of his key lieutenants, obliging him to devote more of his time to his bank. Dresdner Bank has denied the accusation.

But insiders say that Mr Hauck may have proposed resignation once too often. Although the Frankfurt bourse has established itself as by far Germany's key securities market, in-fighting and squabbling among some of its bosses are not unknown. Lines of responsibility with the Federation of German Stock Exchanges, and notably its executive vice chairman, Mr Ru'diger von Rosen, who is also one of the Frankfurt market's three chief executives, may have been particularly strained.

The fact that the Frankfurt exchange, which is dominated by the country's biggest banks, may be thinking of converting the president's job, traditionally held by a local private banker, into an executive post may also have played a part.

The bourse must now come up with a successor at a board meeting on June 29th, probably of the interim variety while the future of the president's job is mulled over. When one market ties itself up in so many knots, the chances of getting all eight to co-operate can be imagined.

Busted gut

■ One of the Union Bank of Switzerland's lesser known accomplishments lies in the unlikely field of catering – as quickly became clear to journalists attending last Friday's lunch reception in London to mark the opening of the bank's new premises in Broadgate.

Centrepiece of the lunching hall was a four-foot high statue of St George astride his charger lancing a fearsome dragon. At first glance, the statue seemed to be made of marble, but on closer inspection it turned out to be meticulously carved out of margarine – 190lbs of it to be exact.

It was the creation of Urs Regli, UBS' 33-year-old chef patissier who spent 30 hours making it and who had been specially flown in for the occasion. Only the previous weekend he had won five gold medals at an exhibition in Karlsruhe for his sculptural creations, (which he makes out of marzipan as well), bringing his grand total to 15.

Regli and his four assistants for the reception all work for Culinarium, UBS's catering division which has a well-earned reputation for good food, be it serving 6,000 lunches every day in Zurich, or tending the appetites of UBS' guests in far-flung outposts. No one dare use the word canteen at UBS. It has to be restaurant.

BMW's bacon

■ Eberhard von Kuenheim, BMW's aristocratic chairman, argues with a conviction bred of success, that the only way to succeed as an importer in the fiercely contested Japanese car market is by going it alone. Joint ventures are no solution. At a recent BMW dinner in Tokyo he told guests at his table the salutary tale of the chicken and the pig. The chicken and the pig met for negotiations on a joint venture and out of the talks was born the idea of ham and eggs. Initially the two were very pleased with the idea, but suddenly the pig became uneasy. "This is all very well," he said, "but while you keep on producing eggs, I end up dead." The chicken smiled knowingly. "That's all right," he said, "that's the way with joint ventures."

Jurek Martin

Barry Riley talks to David Walker, chairman of the SIB

A birthday for securities rules

What difference did A-Day make? "I think we've achieved a lot of things," says David Walker, chairman of the Securities and Investment Board, "but I certainly haven't got to where I want to get to."

A-Day was the day, a year ago last Saturday, when key provisions of the Financial Services Act 1986 came into force. In particular, it became illegal to conduct investment business, as defined in the legislation, without authorisation.

Even now, the task of authorisation is not quite completed. Some 31,000 businesses have been approved by the various self regulatory organisations (SROs) and recognised professional bodies which supervise the investment industry under the watchful eye of the SIB (and 100 or so have been directly authorised by the SIB itself).

However, 400 or so firms are still operating under interim authorisation, which means that their application is still under scrutiny, or that they are appealing against rejection.

How much of a clean-up has the authorisation process achieved? Mr Walker points to the 6,000-odd businesses which failed to make the grade. Most of them quietly packed their bags and withdrew when they realised they had no chance of reaching the required standards. A minority pursued their applications to the point of outright rejection.

Mr Walker also notes that many firms were required to reduce their ambitions. "Quite a lot of those authorised had a business plan which was narrower than they sought originally," he says.

Mr Walker joined the SIB from the Bank of England a month after A-Day. He has introduced a markedly different style from that of Sir Kenneth Berrill, his predecessor.

"Berrill was accused of being authoritarian. I've attracted the criticism that we publish umpteen consultative documents and the consultative process never comes to an end. Both are exaggerated views, and I suppose that as a regulator you can't win," Mr Walker observes.

Though a voluble defender of the SIB's achievements, Mr Walker accepts that important deficiencies still exist in the framework of investor protection. For instance, he is dissatisfied with existing complaints procedures, where the public is often muddled about the roles of SROs like Fimbra and Lautro. "We need to create a much more clearly accessible complaints mechanism," he says, "covering both complaints and redress."

A second area for attention, he says, is that of competence testing and training. At the moment, there is an inefficient dispersal of training effort, for instance across the membership of Fimbra, the key SRO which covers independent financial advisers. He would like to encourage industry-wide certification, such as the kind that already exists in banking. "I think it's a direction in which we should go."

Elsewhere, Mr Walker wants to improve the compensation scheme which was introduced by the SIB last year. The exemptions granted to building societies, and perhaps also life offices, need to be scrutinised very closely, he says. Also, the absence of an insurance element for practitioners is unsatisfactory: "The risks and costs are not appropriately aligned."

The bulk of the SIB's workload lies elsewhere, however. The most immediate decisions are likely to come in the highly controversial area of disclosure to buyers of life assurance policies and other retail investment products. Many independent advisers have been furious at draft proposals that they must disclose their commissions and other sensitive details to clients as from next January, whereas salesmen employed directly by companies will be able to operate under a much more favourable disclosure regime.

But Mr Walker believes the argument is becoming less heated. "There is less of a feeling amongst independents that they are under siege," he says. Pressure could in fact now come more strongly from the other direction, from bodies such as the Office of Fair Trading and the Consumers' Association which want a still harder form of disclosure.

"My concern is that we will be vulnerable in some degree to the argument that the information is so modest and buried in product particulars, which may not arrive until quite a late stage, that we are not going far enough in the direction of hard disclosure."

The SIB will be introducing a "white paper" on the 1990 disclosure regime in the middle of May, including "close to final" proposals. Some aspects could actually be introduced before next January, if there is general agreement.

Mr Walker is adamant that improved disclosure must be introduced. He has been convinced of this, "having seen the extent to which it is possible for people to be ripped off or misled." The regulator, he observes, has in part a job of education to do, given the degree of ignorance about financial products and sales methods which surveys of the public have revealed.

Another big project for the SIB involves its planned revision of the rule-book. As soon as he assumed office Mr Walker initiated a simplification exercise which surfaced as a new draft rule-book last November. He now admits that this first attempt to extract separate general principles on a "bottom up" basis from the existing rules was misconceived. After extensive discussions with the SROs and RPBs a "top down" approach to devising general principles will be adopted, and these will be combined with a new layer of 50 or so "core rules".

In all, the new rule-book will have three tiers. Each regulatory body will be able to draw up its own bottom layer of specific rules, subject to a new test of "adequacy" instead of the "equivalence" which was originally required under the FSA. A "white paper" on the rule-book reforms will be brought out in June or July. But active discussions are already under way.

The third area promising a heavy workload is that of European regulatory harmonisation, where new directives on banking and investment services are being drawn up in Brussels.

It has been established in principle that in future the prudential regulation of financial services businesses, that is, aspects such as capital adequacy and fitness and properness of personnel, will be conducted on a "home country" basis, while conduct-of-business rules will be applied by host countries.

But this will create enormous scope for potential gaps and misunderstandings. For instance, where foreign-authorised firms are operating in the UK, the SIB will want to have the authority to intervene quickly if things start to go wrong. "The nature of that power is not yet clear. It needs to be sorted out over the next 12 months," says Mr Walker.

FOREIGN AFFAIRS

Same goals, different methods

Jurek Martin speaks to two of Mexico's political rivals about their opposing views of reform

For a man who is trying to change the way his country thinks and acts, Mexico's President Carlos Salinas de Gortari does not come over as a revolutionary. Formal almost to the point of woodenness in public, he seems to reserve his reformer's zeal for private conversation and even then he may prefer it to be off the record. Frankness, he intimates, does not have to come packaged in direct quotations.

By the same token, Cuauhtemoc Cardenas, the opposition leader who is widely considered to constitute the biggest threat to Mexican stability in 60 years, is remarkably unassuming. "It really is not important," he says, when he becomes president; what matters is that "the citizen's vote be respected in the near future."

Both were interviewad recently on their respective home grounds. The President's was 20,000 feet in the air in the private compartment of his official jet en route back to Mexico City, while Mr Cardenas chose the study of the house of his father, General Lazaro Cardenas, presidant from 1934-40, in San Angel, the capital's most elegant auburb.

Neither felt the need for the presence of aides or briefing books or the other props of the modern politician. Mr Cardenas preferred to reply to questions in Spanish, though his command of English is known to be good. Neither would speak gratuitous ill of the other, though the President was not above implying that General Cardenas never wanted his son to get into politics.

Each seem comfortable in their civility, but, then, both come from eminently civilised and privileged backgrounds. Mr Salinas, at 41, is 11 years younger than his opponent and has the more catholic experience, having taught at Harvard. Both proclaim the same Mexican heroes, including Benito Juarez, the self-made Indian who brought the country together in 1867-72 after the turmoil of Maximilian, and, not surprisingly, General Cardenas, who, among many other things, nationalised the oil industry. But, whereas Mr Cardenas mentioned only Gandhi as an external inspiration, Mr Salinas waxes at length on the practical political skills of Abraham Lincoln and Winston Churchill.

Yet their differences are profound. They may both avow the same broad goal – of a more self-sufficient, modernised Mexico, less weighed down by the burden of debt – but their methods of pursuit are as chalk and cheese. Mr Salinas is the reformer from within and above, but Mr Cardenas claims the system is incapable of either reforming itself or directing reform; Mr Cardenas is the populist but Mr Salinas believes that uncontrolled populism is the sure, and possibly easy, route to national ruin.

Both have credentials to back their beliefs. Since becoming president, Mr Salinas has done some things that would have been inconceivable to previous beads of government. In

Cardenas is the populist but Salinas believes that uncontrolled populism is the sure route to ruin

arresting earlier this year the notoriously corrupt chief of the oil workers union and only last week engineering the resignation of the leader of the teachers he seems to have taken on those forces inside the Mexican establishment most inimical to change.

Even a supporter of Mr Cardenas was moved to compare Mr Salinas with President Gorbachev in the Soviet Union. Both men, he said, had concluded that reform could only be pursued by attacking the government's own underpinnings. Mr Gorbachev's targets were the army, the bureaucracy and even the party, while Mr Salinas had in his sights the unions and the vast web of parastatal organisations.

Mr Salinas is not really convinced by the comparison. He denies, for example, systematically going after the established unions, though he insists they need more democratic procedures. But he does argue that he represents change inside his Institutional Revolutionary Party (PRI) and concedes that many in the PRI do not like reform, or a more open economy or less state intervention.

He also gives the impression that he thinks Mr Gorbachev is operating under a much tighter schedule. He has his own deadlines, not the least of which is to negotiate successfully a recycling of debt with Western banks by the end of this year. That should make possible some restitution for average Mexicans, who have seen their real living standards fall by 50 per cent in the last six years.

But he harbours no illusions that the opposition to institutional reform can be overcome in the twinkle of an eye. He does not even expect to have transformed Mexico when his six-year term is up at the end of 1994, but he feels that so long as the process of reform is "irreversible" by then he will be satisfied.

If Mr Salinas has made, on balance, a striking beginning, then Mr Cardenas in last year's elections can be said to have struck. His coalition of the centre-left ate into the PRI's majorities as never before. It may well be that if the election had been above board, he would have won.

The problem is sustaining that momentum. Already his coalition is coming under inevitable strain. The PRI is wooing some if its members and even Mr Cardenas concedes some difficulty in getting his policies across, for which he blames the government-controlled media.

He should know how the system works, for he was an integral part of it, as son of a president and a PRI state governor, and he remains convinced it cannot change itself. "I have said on many occasions that I wish the *corriente critica* (the reform movement now within the PRI) the best of luck. But I doubt whether they will be allowed to reach their objectives."

Nor does he see Mr Salinas as a Mexican Gorbachev. "I think he is a beneficiary (of the system) and is fully convinced of the corrupt procedures of the PRI. I don't believe he has the slightest intention of reforming the system . . . Salinas has not lost support of the trade union leaders, although he was never backed by the unions in general (in the election)."

There is a sense, however, that Mr Cardenas has somewhat modified his populism in recent months. The teachers, he says, cannot expect full repayment of their lost income; rather than renounce its debt obligations, he now says that Mexico must "reach a bilateral decision that takes into account the creditors." This could entail a temporary moratorium on debt repayment in order to free resources for domestic purposes but "we would have to be careful not to upset inflation and the international balance."

Equally, he thinks the debtor countries of Latin America should get together and not, as in the case of Peru, act unilaterally. "The Brady plan wants each country to solve its debt problem independently. Mexico's government should try to look for solutions with other countries." (However, in broader political terms, Mr Cardenas expresses little sympathy or knowledge of other populist movements in the region.)

But his real focus has to be elections, for that is where he must continue to score. Two big state polls on July 2 – in Michoacan, where Cardenas father and son were governors, and in Baja California – offer the next test, not only for the opposition but also for the PRI. President Salinas insists that individual elections do not matter so much, but his party will have to decide whether or not to rig the vote, as has been its invariable custom.

It ought not to. Mr Salinas himself describes his presidency as "a permanent campaign," and there is much good sense in it. But Mr Cardenas is equally right to be sceptical. Mexico may have problems, but the absence of choice between the ideas represented by the two men should not be one of them.

LETTERS

How to explain West Germany's 'most successful' economy

From Mr Alexander Uberoi.

Sir, Barry Riley has oversimplified (The Long View, Weekend FT, March 25). He rebuts the arguments for contested bids by citing Japan and West Germany ("the world's two most successful industrial economies") as the two countries where hostile takeover bids are almost unknown. Regrettably, he does not elaborate on his criteria for labelling the Japanese and the German economies as successful.

On what basis does Mr Riley regard the German economy as one of the two most successful in the world? Unemployment figures? Not possible. West German unemployment figures are higher than, for instance, those of the US. Inflation? There are EC countries which have lower inflation rates than Germany. Or is he making the point that West German companies are tremendously successful? This is also not possible. Based on 1987 figures in Ecus, West Germany had nine companies in the list of top 25 European companies based on turnover achieved. But if these are re-ranked according to profits, the position is reversed: only four West German companies make it into the top 25.

For example, Daimler-Benz would rank number three based on its 1987 turnover, but its profits per employee were Ecu 2,600 (£1,700). Fiat, ranking number 6 in turnover, makes Ecu 6,200 per employee in profit. Even France's Renault, number 12 in turnover and not exactly known for excellent management, achieves Ecu 2,900 in profit per employee. Sweden's Volvo, number 36 in turnover, made Ecu 5,800 profit per employee in 1987. So, in what area is West Germany so tremendously successful?

Regular contested bids in Germany would certainly be a device to correct these humiliating profit-per-employee figures.

To take a current example, Alfred Herrhausen, chairman of Deutsche Bank, was cited (FT, March 31 1989) as saying that even after his bank had achieved the third-best result in its history, he did not think that a level had been reached which occasioned raising the dividend. Could you imagine a similar situation in the UK or US? Only shareholders deprived of their rights, not represented on the supervisory board, and contending with the voting right limitation in the bylaws of Deutsche Bank, could tolerate such a situation.

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West Germany

A night out at the movies used to be fun . . .

From Mr Brian Hague.

Sir, Three cheers for your film critic, Nigel Andrews. He lambasted the latest output of the British film industry (April 13) and then went on, following a visit to the Odeon cinema at Marble Arch, in London, to comment on film exhibitors' treatment of cinema-goers.

If more film critics were occasionally to forsake the protected aura of press previews, and join ticket-buying audiences at neighbourhood cinemas, their chorus of disapproval might rise sufficiently for action to be taken to improve the film fan's lot. It is in the cinemas that the British film industry is shooting itself in the foot.

Distribution policies, apparently obsessed with the lowest common denominator of taste, are not (on the personal observation of this film-goer) achieving their aim of increased audiences. And many people must agree with Nigel Andrews' tirade against the presentation of repetitive advertisements.

Whatever happened to marketing visits to the cinema as a "good night out"? Shoddy premises, tedious computer ticketing, programming of advertisements, inconvenient time schedules and the like are seriously impinging on the cinema goer's enjoyment.

Time was when a visit to the cinema – a West End cinema particularly – was something of an event. Nowadays, even many of the "showcase" cinemas are little better than a run-of-the-mill (and run-down) suburban or provincial venue.

The Curzon cinemas are among the very few that seem to have got it nearly right. The Marble Arch Odeon squanders its higher-than-usual level of comfort on films which rarely have real merit – which is strange, considering its strategic location.

More in the same vein, please, from Mr Andrews.

Brian Hague,
52 Elton Close,
Hampton Wick,
Kingston-on-Thames, Surrey

In energy, vertical integration lives

From Mr Ian Rutledge.

Sir, Peter Martin argues that "vertical integration . . . is coming apart under the pressures of the late 20th century" (April 24), and we are returning to a world economy in which transactions are driven more by Adam Smith's "invisible hand" than by the "visible hand" of large, vertically-integrated companies.

But in at least one important sector of the world economy with which we are familiar, the opposite seems to be the case.

In energy and mineral resources markets the past 10 years have seen a steady increase in what might be called "partial vertical integration." Big energy producers like Petroleos de Venezuela and Saudi Aramco have sought guaranteed outlets for their products by partial integration downstream into West European and US-owned refining and processing facilities.

At the same time, Japanese custom smelters like Sumitomo have partially integrated up-stream by buying into copper and nickel mining facilities owned by US transnationals, in order to ensure a secure supply of concentrates.

Japanese steel companies, and trading corporations like Mitsui, have followed the same policy, taking strategic holdings in Canadian coal and Australian iron ore not only to secure supplies, but also to have a say in long-term contract pricing.

Likewise, important companies in the world's non-ferrous metals industries, like Metallgesellschaft, Cominco, Asarco, MIM and Teck, have formed interlocking shareholding arrangements, with the clear motive of reducing uncertainty regarding the supply and demand for concentrates.

It seems clear that the technological and institutional innovations which Peter Martin sees as underpinning the resurgence of the "invisible hand" simply cannot be relied on in this key segment of the world economy, and that a partial "internalisation of the market" is much preferred, by the bigger operators, to any trust in free, "arms-length" trading.

Perhaps the most forthright articulation of this perception is to be found in the latest annual report of a large US energy corporation, Coastal Corp. Explaining an agreement whereby the company has sold a 50 per cent share in its west coast refining plant to the Communist Chinese, the company's chairman states: "For Coastal, the advantages include a dependable crude supply . . . and reduced exposure to price and supply volatility in world oil markets." (Coastal Annual Report 1988.)

It doesn't sound much like Adam Smith: more like the East India Company.

Ian Rutledge,
Sheffield Energy & Resources Information Services,
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Better bangers

From Mr Matthew Dalton.

Sir, You report (April 27) that there is almost no exporting of British "bangers", because most mainland Europeans consider UK sausages (and kippers) inedible. That is unproven; UK manufacturers have been blocked by laws in other European countries preventing sale of these products.

But observe, if you will, how mainland Europeans enjoy eating "English breakfasts" when in the UK. I suggest that, given the opportunity, many Europeans delight in eating our kippers and sausages.

It is also perfectly feasible to produce both to a very high British standard without the use of Brown FK or Red 2G. Many British connoisseurs would consider them better without these two ingredients.

Matthew Dalton,
Seasoning & Spices,
Starbeck,
Harrogate, North Yorkshire

FINANCIAL TIMES
Tuesday May 2 1989

Lower May Day profiles for party chiefs

Quentin Peel explains a sudden change of emphasis in this year's Soviet celebrations

The resounding slogans were fewer and the coloured balloons more plentiful at the annual May Day parade in Moscow yesterday, when Mr Mikhail Gorbachev, looking relaxed and smiling, greeted tens of thousands of Muscovites at the Lenin mausoleum in Red Square.

There was no sign of the soul-searching going on in the ranks of the ruling Communist Party after the recent elections, as the Soviet leader lined up with the rest of his Politburo on the red granite tomb.

However, just a little of the confusion which Mr Gorbachev's perestroika reforms have spread through the Soviet economy appeared to have infected the good-humoured parade, as the Moscow schoolchildren tripped over each other in what used to be a rigidly regimented gymnastic display.

Elsewhere in the Soviet Union, the upheaval in the country's political life was more apparent. In Tbilisi, the Georgian capital, where 20 people died after a nationalist demonstration last month, all official May Day parades were cancelled.

In Armenia, where the authorities tried to do the same out of respect for the 25,000 who died in last December's earthquake, an unofficial demonstration by several thousand people called for the release of the nationalist leaders in the Karabakh committee, detained in Moscow.

And in Leningrad, second city of the country, where the entire top leadership of the Communist Party was rejected by voters in the March elections, the occasion was deliberately low key.

"Leningrad is decorated in a more modest way than during previous May Day celebrations," Tass, the official news agency, reported. "Perestroika put an end to empty declarations, ostentation, loud rhetoric and a passion for praising themselves."

In Moscow itself, the parade was in part a celebration of the elections which have left the Communist Party licking its wounds, with a string of regional party chiefs defeated by outsiders.

Mr Gorbachev and Mr Nikolai Ryzhkov, his affable and increasingly prominent Prime Minister, occupied the two places of honour. They were flanked on the left by Mr Yegor Ligachev, the supposed conservative rival to Mr Gorbachev's post, and on the right by Mr Lev Zaikov, the Moscow City party chief: exactly the same line-up they adopted last November, at the October revolution celebrations.

Mr Boris Yeltsin, the man who gave them all a rude shock in the March elections when he won a landslide victory against the Communist Party machine in Moscow, was down among the lesser dignitaries beside the mausoleum. Looking tanned and relaxed after a holiday, he gave an impromptu press conference to dozens of correspondents after the parade.

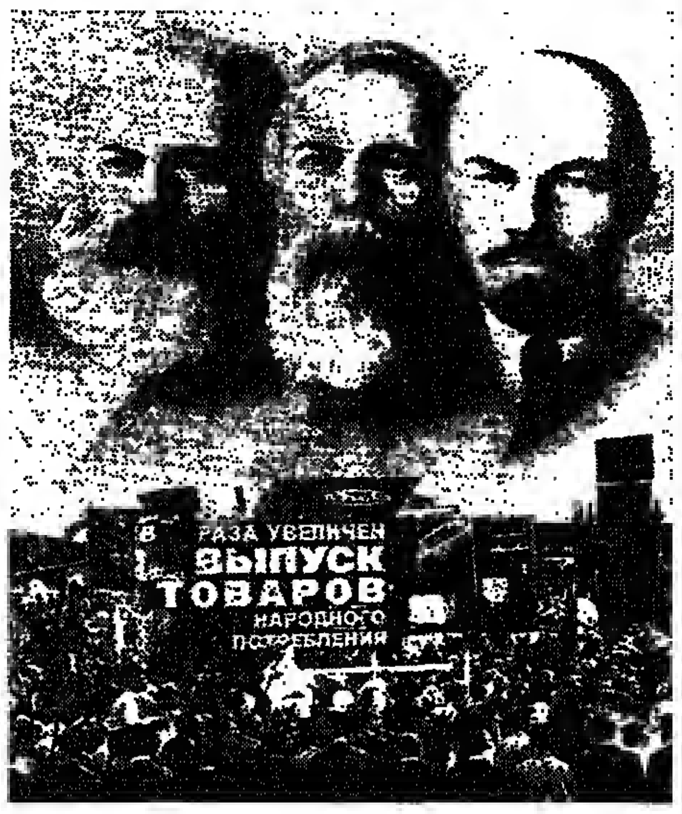
"The elections were the foundation of democracy," one slogan declared. "People's deputies – go ahead!" read another.

No member of the Politburo got any personal adulation. Nor did Mr Yeltsin. The only deputy singled out for praise by the banners was Mr Alexei Yemelyanov, a strong backer of the former Moscow party chief, whose platform was one of the most radical in the entire campaign.

One of the best floats recalled the old Leninist slogan "All power to the Soviets," beneath a model of a ruined Russian farmstead labelled "the command-administrative system." The most radical represented Memorial, the group dedicated to commemorating the millions who died in Stalin's purges.

It was up to the schoolchildren at the end of the parade to bring the best life to the day. First they lost their places. Then they missed their steps. But they made up for it with sheer enthusiasm for their aerobics and gymnastics.

As for the biggest applause, it went to two of the final displays: in amusement, to a bunch of body-builders showing off their rippling muscles in the sunshine; and in admiration, to a crowd of youngsters jiving to rock and roll music before the steps of the mausoleum itself. Lenin must have turned in his tomb.

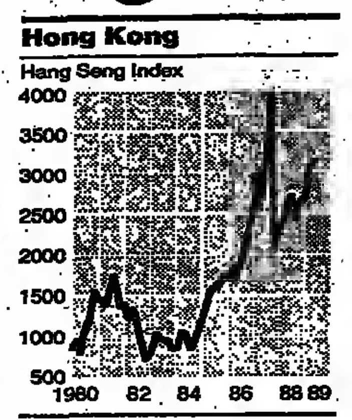


Five faces on Red Square: Marx, Engels and Lenin tower over a banner declaring "double production of consumer goods" during yesterday's May Day parade in Moscow, while, in lighter mood, President Mikhail Gorbachev reviews the procession with a young girl on the Tribune of the Lenin Mausoleum

THE LEX COLUMN

Stiff upper lip in Hong Kong

The sight of hundreds of thousands of protesters marching through Tienanmen Square last week has done surprisingly little damage to the peace of mind of investors in Hong Kong. The 1 per cent fall in the market on Thursday was a pretty poor effort at anxiety, especially as nearly all of it was reversed the following day. As the Hong Kong market depends more than almost any other on confidence, and as any signs of a clampdown by the Chinese authorities could shake that confidence badly, it is odd that everbody remains so calm.



Perhaps international fund managers looked at the peaceful students and were reminded of Berkeley in 1968. Evidently they expect the Government to pacify everybody until the whole thing goes away – a somewhat hasty judgment given that the Chinese leaders themselves seem not to know what to do about it.

A second explanation is that all the risks are already in the market: every investor in Hong Kong should know the potential dangers well enough. However, the swings in the market in the past 10 years rather suggest the opposite: that prices have tended to over-react to each new political scare. Alternatively, investors may simply be disinclined to sell a market that looks cheap in terms both of earnings and assets. Even though it has risen by nearly 25 per cent in the past year, prices are still 30 per cent lower than before the crash. The big blue chips are on earnings multiples of under 10, despite earnings growth of 20 per cent or more. Most of the rise has been in property shares, which have risen by 40 per cent, a somewhat grudging recognition of rises of 80 per cent or so in property prices.

It would seem that foreigners remain understandably cautious about a market that fell by half during the crash and which has been one of the world's most flourishing stock exchanges for sharp practices of all kinds. The new Securities and Futures Commission aims to put a stop to all that. But as it only started its job yesterday, making a judgment about its efficacy is almost as dangerous as predicting the future course to be taken by Peking.

Gold Fields

Of all the principles of takeover practice, perhaps the clearest says that the winner is the one with over 50 per cent of the shares. The sight of Gold Fields last week claiming that the 55 per cent of its shares in the Minorco camp somehow did not constitute a majority is one that even its most loyal shareholders cannot welcome. No matter that more than half of the institutions chose to side with Gold Fields; now that Minorco has won, those very same institutions are beginning to wish Gold Fields would admit defeat, fearing otherwise that dangerous precedents are being set.

Gold Fields argues that as Minorco started with 30 per cent of the shares, and as it has a vested interest in getting the injunction dropped, the relevant majority is of the remaining 70 per cent. That seems no better than saying that those who do not agree with the management should not be counted. The second argument is that the responsibility of the directors is to the company, which includes more than its present shareholders. That may or may not be the case, but is scarcely conclusive in establishing the point.

In the meantime, the whole charade must be of great comfort to any company faced with a takeover or scared of receiving one. All they need do is find a nice judge in the US prepared to object to the bid, and then maintain that what is a majority is actually nothing of the kind.

Philips

It is no doubt comforting to know that Philips sees no need to revise this year's profits forecast because of anything included in first quarter results announced last week. But then again, the forecast itself is so uninspiring that it is hard to see why keeping up with it deserves much praise. Philips is hardly living dangerously when it predicts an increase in 1989 operating profits: the 1988 figure was depressed by nearly Fl500m in restructuring costs, while the 1989 costs are likely to be far lower. And as for the bottom line, that will depend yet again this year on which bit of the Philips corporate body can most conveniently be lopped off and sold. Last year, there was Fl525m from the washers and fridges sold to Whirlpool; without them, net profits would have fallen. This year is unlikely to prove any different. And profit margins, at a scarcely visible 1.7 per cent in the first quarter, also bear a dreary resemblance to last year's figures.

That may not sound like the kind of management record that merits a more than average level of takeover protection. But that did not stop the Philips management – backed by a handsome majority of shareholders – putting up higher barriers in March. Philips' shares have underperformed the Dutch market by 60 per cent since their 1983 peak, and are now worth perhaps a third of break-up value. That is scarcely relevant, of course, so long as the break-up in question is impossible; but shareholders have only themselves to blame for that.

US investors

The parochial approach is still alive and well in the US investment community; but at least US investors have stopped ditching foreign securities in large numbers and have become net purchasers at a level equal to their involvement in overseas markets in the year before the crash. Figures from the Securities Industry Association in New York show that US investors were net purchasers of $1.7bn in foreign equities last year, which certainly beats net sales of $1.1bn the year before, and is about equal to US investment in foreign equities before the 1987 events which sent investors back to the bunker.

Of net purchases in 1988, about a third were made in Japan and two thirds in Europe – more or less the reverse of the weighting of those regions, and no doubt a matter of deep regret to those doing the buying. For after making net sales of $6.5bn in Japanese equities in 1987, US investors scarcely deserve much credit for having only enough foresight to put a tenth of that back into the Japanese market in 1988. As for this year, US investment in foreign equities may be increasing at the level of anecdote, if not noticeably at the level of statistics; but even if net purchases doubled this year, they would still be no more than small change.

Friendly merger of food groups likely

By Chris Sherwell in Sydney

A FRIENDLY merger between food groups Ranks Hovis McDougall and Goodman Fielder Wattie looked increasingly likely last night after further talks between their respective advisers and encouraging public signals from executives on both sides.

A merger would link RHM, one of Britain's largest milling, baking and consumer food groups, with Australasia's largest food company. Both also have significant interests in south-east Asia.

Goodman owns nearly 30 per cent of RHM, a stake built up before its abortive takeover bid last year. Last week, RHM snapped up 15 per cent of Goodman and announced a A$3.1bn ($2.45bn) shares-and-cash takeover bid.

On Thursday, the companies' advisers began secret discussions on a possible merger. By the weekend, Mr Pat Goodman, chairman of Goodman, had let it be known that he would be prepared to stand aside if his presence was the only factor holding up a merger on satisfactory terms.

The chairmanship is known to have been an obstacle to agreement in previous merger discussions between the two sides and yesterday Mr Tim Howden, RHM deputy managing director, moved to exploit the possibilities.

Mr Howden said RHM had "noted Mr Pat Goodman's helpful statement." He added: "We would much prefer agreement to hostility and are clear that an agreed merger is the best way ahead."

Both boards believed in the potential of a combined business, Mr Howden said, and RHM had "always" felt that personalities should not get in ths way of this goal. "We believe that discussions which are now in progress in this context should continue on a confidential basis without comment until concluded."

Professor Boh Baxt, head of Australia's anti-trust watchdog, acknowledged the commission's limited scope.

UK and Italy settle dispute over import of Nissan cars

By Alan Friedman in Milan and Peter Montagnon in London

ITALY and the UK have quietly patched up their differences over the impact on UK-manufactured Nissan cars of Italian curbs on imported Japanese cars.

Under an informal and hitherto unpublicised arrangement which is understood to satisfy both the UK authorities and the European Commission, Italy has undertaken to allow unrestricted entry to UK-made Nissans even though it continues to claim that they are Japanese and not European cars.

"The vehicles are entering Italy without any hindrance and we expect this to continue," said a spokesman for Britain's Trade and Industry Department.

An aide to Mr Renato Ruggiero, Italy's Foreign Trade Minister, denied that there was any climbdown by Rome despite the fact that Italy said last month that it would not follow the example of France, which has agreed not to count shipments of UK-built Nissans against the quota that France imposes unilaterally on cars imported from Japan.

The aide explained that "our position on the Bluebird may not seem very clear because we are in the midst of a Europe-wide negotiation on the issue of European trade policy *vis-a-vis* Japanese cars."

The Foreign Trade Ministry official said Italy continues to consider the Nissan Bluebird a Japanese car and not a European car "because of the outstanding and unsettled issue of local content." He added, however, that "Italy does not want to cause any problems with Britain and so we have allowed Bluebird models into the country since last year."

"The treatment of the Bluebird is that we count the cars imported as part of the 14,000 Japanese cars brought into Italy from elsewhere in Europe, but we would not block the Bluebird even if the numbers were to exceed the 14,000 cars agreed with the EEC for 1989."

Aside from the 14,000 Japanese cars that Italy allows to be imported without any blocks, Rome also has a restriction agreed bilaterally with Tokyo that limits to 2,550 the number of cars that may be imported directly from Japan.

According to figures provided by Nissan (UK), it has already exported more than 500 cars to Italy in 1989, compared with a total company quota under existing restrictions of just 156 vehicles from Japan and Europe.

Italy has long received dispensation from normal EC rules to limit imports of cars from Japan, but Commission officials in Brussels have also argued that extending the restrictions to Nissan cars manufactured in the UK would contravene EC regulations.

This is because the regulations do not provide for local content requirements but say simply that a product shall count as European if the last substantial stage of manufacture takes place within the Community.

London plan to establish electronic marketplace

By Alan Cane in London

THE LONDON Stock Exchange is seeking the endorsement of its member firms for an ambitious plan to develop over the next three to five years an "electronic marketplace" for trading international and domestic equities, government stocks and fixed-interest instruments together with traditional and traded options.

A consultative document sent to all 450 member firms in the past week outlines a package of trading support services which the exchange believes it must develop to cut trading costs and make the London market more attractive and internationally competitive. The cost of the proposal is not specified.

Member firms have welcomed the document as evidence of the exchange's willingness to abandon its traditional approach to systems design and development which has been criticised as dictatorial and inflexible. It follows a commitment to greater consultation expressed by Mr Andrew Hugh Smith, chairman of the exchange, in a recent letter to members.

In an introduction to the document, he says: "Not one of these proposals is yet fixed. We wish this document to form the basis for a process of consultation of the exchange membership and will amend the proposals as a result".

Mr George Hayter, head of information and settlement services at the exchange, said he believed it was time to abandon the militaristic approach which had been necessary during the run up to Big Bang in late 1986.

In the past six months, there have been embarrassing public rows over the trading rules operating on Seaq, the exchange'e automated trading system, and the forced rethinking of ths design of Taurus, the proposed electronic settlement system.

The blueprint outlined in the document covers all aspects of trading to the stage of pre-settlement processing and is designed to replace the present, largely incompatible mixture of manual and electronic trading systems.

Proposals include:

- A common design or architecture where the same functions to be performed in different markets would be handled in a similar fashion.
- A single, standard communication channel between exchange services and their users. Within the member firm, a single terminal or computer system should be able to initiate any function of the trading services across the communications link.

Benefits to members would include a reduction in unit trading costs, reduction in trading risk and greater trading opportunities, the exchange claims.

Commission wants $4bn research plan to bridge the gap on high technology

By Terry Dodsworth and Hugo Dixon in London

THE European Commission aims to launch a $4bn research programme to catch up with the Japanese and US semiconductor industries at a meeting of European Community industry ministers next month.

Plans for the joint research programme, which would be Europe's most far-reaching co-operative venture in high technology, have been plagued by disagreements for two years.

But the Commission is hoping to unite the industry behind a proposal to start rapidly on an 18-month initial project while details of the second phase are sorted out.

According to Mr Jean-Marie Cadiou, director of information technology at the Commission, EC industry ministers have reached broad agreement on the programme. "We are now encouraging industry to finalise detailed plans," he said.

Known as Jessi, for Joint European Submicron Silicon, the project is bringing together a large number of government and industrial partners with different levels of interest.

Discussions over the past few months have centred on the role and financial commitment of the Commission, which has become interested in the programme as part of its commitment to strengthen the region's electronics industry.

Under Mr Michel Carpentier, director-general responsible for the telecommunications and information technology industries, the Commission has become increasingly concerned over the future of Europe's chip manufacturing industry.

The ability to produce semiconductors locally is regarded as a key element in supporting a variety of electronics-based industries. This view has been reinforced by the widespread belief in Europe that Japanese producers have manipulated supplies for their own advantage during the past 18 months of shortages.

The main lines of the Commission's involvement now appear to have been decided. Officials say that Jessi will be set up as a joint venture between Esprit, the EC's information technology research programme, and Eureka, the research organisation set up by European Governments to co-ordinate bilateral state-backed projects.

This structure will allow the Commission to have a strong role in the organisation of Jessi, without being committed to all aspects of its funding.

A formal announcement of these arrangements is planned for the next Eureka meeting of European industry ministers in June, when Jessi is likely to be re-named Jessica (Jessi-Community Action) or Jessprit.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio		—	—	Dubrovnik	F	14	57	Malta	F	17	63	Rhodes	S	20	68
Algiers	S	19	66	Edinburgh	F	17	63	Manchester	F	16	61	Rio de J'o	C	36	97
Amsterdam	C	16	61	Faro	S	21	70	Manila	F	35	95	Rome	F	16	61
Athens	S	20	68	Florence	C	15	59	Melbourne	C	18	64	Salzburg	R	6	43
Bahrain	S	31	88	Frankfurt	S	15	59	Mexico City	C	25	77	San Francisco	F	11	52
Bangkok	F	36	97	Funchal	S	19	66	Miami	F	21	70	Seoul	S	25	77
Barcelona	S	16	61	Geneva	S	12	54	Milan	S	20	68	Singapore	F	31	88
Beirut		—	—	Gibraltar	S	18	64	Montreal	C	10	50	Stockholm	S	16	61
Belfast	C	13	55	Glasgow	Dr	13	55	Moscow	F	22	72	Strasbourg	S	16	61
Belgrade	F	11	52	Guernsey	Fg	12	54	Munich	C	10	50	Sydney	C	20	68
Berlin	S	15	59	Helsinki	S	13	55	Nairobi	C	22	72	Taipei	C	23	73
Biarritz	C	13	55	H. Kong	R	24	75	Naples	C	16	61	Tangier	S	21	70
Bombay	S	32	90	Innsbruck	C	6	43	Nassau	F	30	86	Tel Aviv	S	24	75
Bordeaux	F	17	63	Inverness	C	15	59	New Delhi	S	35	95	Tenerife	S	21	70
Brussels	S	17	63	Islamabad		—	—	New York	Fg	11	52	Tokyo	R	16	61
Budapest	R	11	52	Istanbul	F	16	61	Nice	S	17	63	Toronto	C	6	43
B Aires	C	17	63	Jakarta	R	33	91	Nicosia	S	23	73	Tunis	F	19	66
Cairo	S	28	82	Jersey	Dr	12	54	Oporto	S	20	68	Valencia	S	19	66
Cape Town	S	27	81	Jo'burg	F	14	57	Oslo	R	9	48	Venice	F	17	63
Caracas		—	—	Lima	F	24	75	Paris	S	17	63	Vienna	R	6	43
Casablanca	S	20	68	Lisbon	S	22	72	Peking	F	26	79	Warsaw	C	11	52
Chicago	F	6	43	London	C	15	59	Prague	C	9	48	Washington	C	17	63
Cologne	S	15	59	Los Angeles	Fg	13	55	Reykjavik	S	8	46	Zurich	S	11	52
Copenhagen	S	14	57	Luxembourg		—	—								
Corfu	F	16	61	Madrid	S	20	68								
Dallas	F	17	63	Majorca	F	18	64								
Dublin	F	15	59	Malaga	S	20	68								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Ogilvy to resist takeover

Continued from Page 1

vided by Thompson. They are also seeking to play on the City's disillusionment with Saatchi, which has stalled after rapid growth in the early 1980s.

Mr Roman said the WPP proposals would be dealt with by the Ogilvy board "properly and in due course." However, he stressed to Mr Sorrell that conversations between the two men over the past months had been "the direct result of your persistence and not my interest in your grand scheme."

There has been a variety of contact between the two companies over the past 12 months but the latest initiative is believed to have been mooted at a lunch between Mr Sorrell and Mr Roman in Manhattan in February, and followed up when Mr Roman flew to London for an analysts' briefing last Wednesday.

WPP, which made pre-tax profits of £40.3m on revenues of £547.1m in 1988, was reluctant to discuss the possibility of hostile moves if Ogilvy maintains its resistance. It is thought to have acquired a small stake in Ogilvy.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday May 2 1989

Why Mr Bush cannot be presidential

By Anthony Harris in London

CONSIDER the following facts and probabilities, and score them on a scale of one ("Ho-hum") to five ("Good heavens!"):

● The Bush Administration has no long-term strategies or priorities at this stage; it makes up policy as it goes along.

● Even if it had policies, it would have great problems putting them into effect: less than half the political appointees of the new Administration have yet taken up office.

● The President and the Congress will warmly agree on a budget which will produce a projected deficit of less than $100bn (£58.8bn), the Gramm-Rudman limit. The probable result will be an actual deficit of more than $140bn.

● The Administration will press hard for a liberal Uruguay trade round, but will take aggressive action against trade partners in bilateral surplus.

● The loudest economic arguments in the near future, however, will probably be financial. The Republican Right will attack the Federal Reserve over monetary policy, while the Treasury will be at loggerheads with the commercial banks over debt relief.

If you scored 10 or less on this list, you are probably American, or a frequent visitor to the US. Even fairly expert Europeans tend to much higher scores.

This was apparent last week when I took part in a London conference, at which an expert panel tried to explain American realities to a European audience. Our hosts at the Royal Institute of International Affairs are certainly expert; but in spite of warnings, their agenda was put largely in terms of Administration policies and priorities. They were presumably surprised when they were unable to get anyone inside the Administration to speak for it, though American conference organisers have the same problem, and still more when it proved that there were no policies to discuss.

A change of Administration, even a succession within the same party, is itself a massive administrative problem in the US. A European Prime Minister announces perhaps 100-odd ministerial appointments; the new people move into their offices, and business begins. In the US there are more than 3,000 jobs to fill.

These appointments extend to a much lower level than the cabinets which some European – but no British – ministers bring with them. (In Britain we even pronounce the word "cabinet" in this context in French). The British extreme, where permanent civil servants ensure continuity, is only mildly caricatured in the television programme Yes, Minister. The American way, in which the policy-makers have to wait months for legal confirmation in office, and may still need time to learn their jobs when they are confirmed, seems beyond caricature.

However, Washington does have its permanent experts and guardians of continuity: they are not in government, but in the powerful lobbies and policy institutes which account for quite a slice of Washington's working population. They supplied half the American speakers. Dr Richard Rahn is chief economist of the American Chamber of Commerce, but be is better placed to speak for the Administration than for US industry. Like all similar officials, he has troubles with his industrial members – for example, he is a convinced free trader, but many of them are not. However, he is a real insider to the Bush Administration, one of its most effective spokesmen during the campaign, a supply-sider and joint architect of the flexible freeze, and now a senior adviser who joins in the Camp David policy debates.

There are fierce arguments between friends there, just as in the Chamber. Dr Rahn's most striking point was in defence of Mr Bush's much-criticised reactive approach to problems, his lack of strategy. What else, Dr Rahn asked, could you expect in the seventh year of an economic expansion? The strategy is to have no strategy, but simply to stonewall on taxes, and to be alert to indentify and head off any threats to continued success. Dr Rahn clearly sees current interest rates as the biggest threat – an over-reaction to the surprisingly mild inflation which inevitably followed the monetary expansion of 1986. This is certainly not a consensus view, and Dr Rahn conceded that the Fed governors who vote for high rates are ideologically sound men. He did, however, help to explain the President's public criticisms of Fed policy, which have worried some other speakers at the conference and many outside it.

Of course, the Fed is not the only important policy-maker over whom the President has no control. Reactiveness and continuity are also the two best words to describe current US trade policy, as the audience probably hardly noticed that Mr Geza Feketekuty, who described it, is not a policy-maker, but simply a veteran executant. (Most Washingtonians give up on his surname, and simply call him Geza).

He had one soothing point to make: the aggressive US approach to bilateral issues is designed to lance festering sore spots, so that they do not distract everyone from the multilateral Uruguay approach. He also offered one central clarification: the US will haggle bilaterally, but multilaterally it is concerned not with bargains, hut with enforceable rules.

Two of his points, however, were plain worrying. It may be consistent, as he argued, to haggle bilaterally and legislate for the world: but it is not consistent to argue that a practice is at the same time inefficient, and an attempt to steal an unfair advantage.

This seems to be the US attitude to industrial policy, and to some other foreign customs and practices, and promises much ill temper. Geza also offered some disturbing glimpses of the American Yellow Peril attitude to Japan; and it was not reassuring to bear Mr Hisashi Owada, Japan's urbane ambassador to the Organisation for Economic Co-operation and Development, going on like any other Japanese about the US fiscal deficit. He seemed blind to the political difficulties of tackling the deficit, and to the current British demonstration of how little a surplus may achieve. The Pacific still seems wider than the Atlantic.

Those difficulties were set out by the undoubted star of the day, Dr Rudolf Penner. He has been in and out of government five times (and had his degree solemnly checked by the FBI each time, which belps to explain the current delays). He is by now possibly the greatest living expert on the US budget process; hut be is also such a wit that some of his listeners may not have realised that his central points were deadly serious.

As he explained, the US system of checks and balances generates fudge: and the Gramm-Rudman law, designed to circumvent the budget fudge by defining the bottom line, has made matters even worse. It will need fixing again, and should probably be repealed. An opposition Congress completes the chaos. A US President cannot at the best of times be presidential in the European sense; but when even the experts no longer know what is going on, nobody is in control.

Experienced hand takes up international banking reins

Huib Muller, Peter Cooke's successor as head of the banks' supervisory committee, talks to David Lascelles

THE COOKE Committee, renowned to banking circles for its international supervisory work, has undergone a change of name. It is now the Muller Committee.

Mr Peter Cooke, the Bank of England official who chaired the Basle-based committee for many years, has retired and been replaced by Mr Huib Muller, an executive director of De Nederlandsche Bank, the Dutch central bank.

The 52-year-old Mr Muller (whose first name is pronounced Herb) is no newcomer to supervisory work. He is head of banking supervision in the Netherlands and has played a prominent role on the Cooke Committee for several years. He is also a member of the EC's banking advisory committee, which is helping to formulate legislation for the single market in 1992.

A genial, well-groomed man whose outside interests tcolude helping to run a trust for preserving historic buildings and the Concertgebouw (Amsterdam's national concert hall), he is keen to pay deference to his predecessor.

"We are harvesting Peter's good work," he says, referring to the new international capital regulations for banks which are being phased in over the next three years. None the less, the job of overseeing the implementation of the new regulatory regime and carrying the work forward falls to him.

"We are confident all major countries will implement the agreement," he says. Apart from the Group of Ten which subscribed to it at the outset, Mr Muller has received commitments from the EC countries which are not members of that group, from Hong Kong, Singapore, the Gulf States, Australia, New Zealand and Australia.

The more who subscribe the better, as far as he is concerned, because this will stop what he calls "competition in laxity" among financial centres.

One of the immediate tasks is to ensure that the agreement is not undermined by inventive minds in the financial community who can hlur the clear-cut definitions of capital which it tries to establish.

"We will monitor the agreement and ensure that we protect the integrity of the system," he says. "There is a lot of ingenuity by financial experts which risks subverting the quality of bank capital. We must be careful not to be seduced by this. There is a clear-cut definition of core capital; it is share capital plus retained earnings."

The Muller Committee now has an established schedule of three or four meetings a year in Basle. The agenda always includes a review of new techniques which banks have designed to raise capital and for which they want official blessing.

"Judgments have to be made on new supplementary capital instruments," says Mr Muller.

The committee also has longer-term projects on its agenda. One is to see whether it should lay down rules for market risk to supplement the original agreement which only covers credit risk. Market risk would cover banks' activities in foreign exchange, interest rates and securities. "There is no conclusion yet as to whether there is action there for us," says Mr Muller.

Another area is co-operation with other types of financial supervisors, particularly in the securities industry, to cope with the growing overlap between banking and the securities markets. The Muller Committee has established an informal process of dialogue with other types of supervisors, but Mr Muller thinks it should be more highly developed.

Huib Muller: played prominent role on committee for years

However, he is keen not to subject banks to a system of multiple licensing. "Bankers should not be overloaded with supervision." In that context, he is also keen to see the new banking regime in the EC evolve in step with his committee's work to keep overall supervision as simple as possible.

Asked what he considers to be the main dangers facing banks at the moment, he says he prefers the word "challenges".

"Banks are a traditional symbol and vehicle of safety. But now some banks have, in the eyes of the market, become less creditworthy than their customers. The Basle agreement aims to correct this, and get back on solid ground."

The Third World debt problem has become much more manageable than before. "It has lost its sharp edges." But he welcomes the recent proposals by Mr Nicholas Brady, the US Treasury Secretary, as well as the banks' own action to boost their loan loss provisions. He is not enthusiastic, though, about the suggestion that his committee could lay down some international guidelines on provisions to narrow the discrepancies between banks in different countries.

"Countries have different approaches," he says. "It is not helpful to have internationally agreed identical numbers." However, he points out that the Basle Committee conducts an annual review of provision levels where it becomes clear which countries are "out of line", and this puts pressure on their officials to narrow the gap.

Whether there is a wider role for the committee to play in seeking solutions to the Third World debt problem is a moot point. Many of the new proposals for dealing with it involve debt reduction, which in turn raises technical questions of accounting, tax and supervision. The committee was not formally consulted on the Brady Plan, but there are informal contacts.

Mr Muller also sounds fairly relaxed about the sharp growth in leveraged buy-out finance by banks. LBOs are mainly an American phenomenon, he says, and he believes the US authorities are on top of developments at the moment.

The other danger, that an imminent recession could push up loan losses, is also one which Mr Muller helieves banks can cope with. "There is more of a perception now of the exposure of banks to economic cycles. That is why our first priority is to reinforce the cushion."

Economics Notebook

Better view from another angle

THE GOOD news, if Dun & Bradstreet of the US is to be believed, is that we will be able to celebrate seven fat years of worldwide economic growth some time this autumn.

Tbe US business information company has just published its first international survey of business expectations. This suggests that huoyant economic conditions will be maintained in the leading industrial countries for the next six months at least.

In spite of the global rise in interest rates, Dun & Bradstreet has found that businesses worldwide have stayed remarkably optimistic about sales and profits over the past 15 months. There have been regional variations: notably a hig jump in optimism in West Germany since the first quarter of 1988 and a slump in Australian business confidence since the middle of last year.

Interestingly, Dun & Bradstreet's survey, which was carried out in 10 countries in the first half of March, found that British companies were slightly more optimistic about sales during the current quarter to the end of June after expressing declining levels of optimism for three straight quarters.

This contrasts with last week's rather sombre conclusions about a slowdown in the UK economy drawn hy the Confederation of British Industry from its latest survey of British industrial companies.

Expectations of higher sales in the US have returned to the high levels recorded in the second quarter of last year after being depressed last autumn hy the strength of the dollar, which dampened export hopes.

Dun & Bradstreet's international survey has yet to establish a track record. But it is based on the quarterly surveys of US business expectations that the company has conducted since 1947.

Mr Joseph Duncan, the company's chief economist, says the US survey gives a good guide to economic trends in the six months after it has been taken. Mr Duncan claims that it proved its worth after the global stock market crash of October 1987. He found then that businessmen were unexpectedly optimistic about future trends and used the fact to forecast strong US growth last year when many economists were predicting recession.

Unlike the CBI survey, which asks businessmen to fill in a detailed questionnaire, the Dun & Bradstreet poll restricts itself to five questions which are usually put to a company general manager or chief financial officer after gathering information for Dun & Bradstreet's other surveys. The executive is asked whether he or she expects higher or lower sales, profits, inventories, employment and prices over the following quarter.

The international survey polls about 9,900 companies in 10 countries, including 3,000 in the US, 2,000 in Canada, 1,000 in Britain and about 900 in West Germany. Besides Britain and West Germany, it covers five Enropean countries: France, Belgium, the Netherlands, Austria and Switzerland.

The samples include service as well as industrial companies and try to reflect the business structure of each country. As with the CBI survey, the results are expressed as balances, after subtracting the percentage of respondents expecting decreases from those expecting increases.

UK Comparison

In the case of Britain, Dun & Bradstreet's survey throws up some interesting contrasts with the most recent CBI poll of 1,300 industrial companies that was carried out in late March and early April. The Dun & Bradstreet respondents appear to have more clear-cut views, with very few saying that they expect conditions will stay unchanged.

For example, a high balance of 66 per cent of respondents gave a positive answer to the US company's key question about future sales trends, which reflects tha level of inflowing orders.

In the CBI industrial trends survey, the balances in answer to questions are generally much lower, at present ranging between minus 13 and plus 33 per cent.

Although not strictly comparable, tha CBI asks two qnestions that are roughly equivalent to the Dun & Bradstreet query about sales. One, asking how orders had developed over the past four months, elicited a positive balance of 7 per cent. Another about tha expected trend of domestic and export deliveries in volume terms over the next four months yielded positive balances of 14 and 9 per cent respectively. The main reason for the low balances is that a majority of respondents tell the CBI they expect things to stay unchanged.

The large numher of "unchangeds" in the CBI survey presents difficulties in interpeting the data. CBI economists said last week's survey, with 19 per cent of respondents saying they were more optimistic about the general husiness situation and 24 per cent saying they were less so, was "clear evidence" that the British economy was slowing down.

Another way of looking at the figures would have been to say that 76 per cent of British industry expected at least no deterioration in conditions over the next four months.

Peter Norman

THIS WEEK

US EMPLOYMENT figures for April are likely to be the central attraction in financial markets this week, providing the first indications of the strength of economic activity last month.

Friday's labour market statistics could provide further clues about whether domestic inflationary pressures in a fast-growing US economy are nearing a peak. If they point to weak growth in employment, speculation about an early cut in interest rates is likely to be revived.

The consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for non-farm payrolls to have risen by 220,000, compared with a relatively low 180,000 in Marcb. The unemployment rate is expected to have edged up to 5.1 per cent in April from 5.0 per cent in the previous month.

Concern about the size of West Germany's trade surplus could be intensified by figures for March which are expected sometime this week. Little evidence of an easing is expected, highlighting the scale of world trade imbalances.

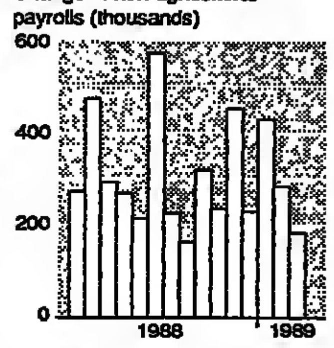
Also expected this week are figures for industrial prodnction and orders in March which are likely to show continuing buoyant growth, although analysts will be looking for signs of a slowdown. Unemployment figures for April could show the total falling below 2m.

The Bundesbank council meets on Thursday but, after last month's surprise increase in interest rates, no further change is expected. Results of the latest batch of securities repurchase agreements will be announced today.

It is a thin week for UK statistics. Likely to attract most attention are figures for official reserves of gold and foreign currencies in April, published tomorrow.

In March, the reserves showed tbe largest fall for more than 10 years, illustrating the scale of Bank of England intervention to support sterling. The consensus of analysts' forecasts is for a fall of $625m in April.

US employment



The Japanese celebrate "golden week" with public holidays tomorrow, Thursday and Friday, wben all Japan's financial markets will be closed.

Other events and statistics this week (with MMS International consensus of forecasts in hrackets) include:

Today: UK, Bank of England figures including final money supply and hill turnover statistics for March. Italy, consumer prices index for April. US, new home sales (minus 2.0 per cent).

Tomorrow: UK, Department of Employment puhlishes Employment Gazette, Advance energy statistics in March. US, anto sales in April. Refunding announcement.

Thursday: UK, Mr Nigel Lawson, the Chancellor, answers Treasury questions in House of Commons. Halifax Building Society puhlisbes its house price index. Vale of Glamorgan by-election. US, 52-week Treasury hill auction.

Friday: US consumer credit in Marcb (plus $3.5hn). UK, Mr John Major, chief secretary to the Treasury, addresses Scottisb Institute of Directors in Glasgow. Bank of England holds reverse "gilt" auction. Housing starts and completions in March.

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

A warning shot across the bows

THE $1bn medium-term note programme launched last week by the Council of Europe not only bears witness to the global nature of the capital markets these days but also sends a shot across the bows of the Eurobond market.

The programme for the Council of Europe, a regular borrower in the Eurobond market, has been structured for maximum flexibility to match investor requirements. The 19-government body is rated AA+ by Standard and Poor's.

Issuance can, for example, be at fixed or floating rates, at a discount or at par, senior or subordinated. Paper can be issued in maturities between one and 30 years in virtually any hard currency in which it is allowed. (The Ministry of Finance in Japan has to give the go-ahead for issuance in yen and a public offering within the US is not a prospect). Notes can be listed on the Luxembourg exchange.

The idea is for investors to be able to pick any combination off the shelf provided they meet the borrowers' requirements. The programme was arranged by Daiwa Europe and Morgan Stanley, and Swiss Bank and Bankers Trust will also be dealers. First issuance should be in a couple of weeks.

The medium-term note market has been a long time in developing, but to the extent that this programme is a success, the implication is clearly that the council will borrow less in the Eurobond market.

In the international loans market, the Central Bank of Turkey is back after a six-week hiatus, with a $200m three-year extendable term loan arranged by Sumitomo Bank. Like the previous loan, the new facility may be extended at the lenders' option to seven years. It is a refinancing of a year-old $145m facility, combined with two smaller loans.

The new loan carries a margin of 1 percentage point over London interbank offered rates (Libor) and offers front-end fees of up to 1 per cent for a $10m participation. The margin rises to 1⅛ for lenders extending to five years and to 1¼ for those extending to seven years.

This gives lenders an all-in annual return of 1.33 per cent over Libor for the first three years. The previous loan, arranged in early March by First Chicago and raised from $150m to $200m, offered annual returns of 1.43 per cent.

Sumitomo is also arranger of an Ecu50m five-year term loan for Agrifactoring, an Italian agricultural factoring organisation 50 per cent owned by Banca Nazionale del Lavoro. The loan carries a margin of 30 basis points and participation fees of 10 basis points for lenders providing Ecu5m.

S G Warburg has arranged a £350m revolving acceptance facility for BAT Industries of the UK. Some 70 banks have joined the facility.

James Hardie Finance has mandated National Westminster Bank to arrange a $200m three-year note issuance facility, of which $100m will be underwritten. The loan is guaranteed by parent company James Hardie Industries, an Australian-based building industry supplies group.

The margin is ⅛ over Libor with a utilisation fee of 5 basis points if more than half the facility is drawn. There is a commitment fee of 7½ basis points for a $10m participation.

Stanhope Properties becomes the latest UK company to take advantage of recent relaxation of rules for borrowers in sterling. The company is seeking a £50m commercial paper programme, becoming the first unlisted securities market company to do so. Barclays de Zoete Wedd was appointed as dealer.

Stephen Fidler and Norma Cohen

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	6,539.2	798.7	108.0	14,585.3
Prev	8,183.9	0.0	45.0	11,188.3
Other	2,949.7	42.7	284.8	2,538.7
Prev	2,788.0	829.3	79.2	2,281.1
Secondary Market				
US$	20,648.8	1,381.0	6,312.7	6,828.2
Prev	14,657.4	1,111.3	4,316.1	6,834.7
Other	16,311.2	1,098.5	4,689.1	31,684.9
Prev	15,272.1	855.2	4,321.1	25,710.8

	Cedel	Euroclear	Total
US$	13,532.0	45,666.9	57,198.9
Prev	10,361.7	35,975.0	46,336.7
Other	26,447.6	33,148.0	59,595.6
Prev	22,649.3	29,488.3	52,137.6

Week to April 27 1989 Source: AIBD

INTERNATIONAL BONDS

Joining and rendering underwriters' Eurobond fees

IN THE Middle Ages, legal writs began with the Latin phrase *praecipe quod reddat*, which roughly translates into "enjoin him that he render." It is hard to imagine a more fitting derivation for the *praecipuum*, an obscure element of underwriting fees on the Eurobond market.

Few managers will be aware of its ancient origins, but closer attention is being turned to the issue of the *praecipuum*, a proportion of the management and underwriting fees exacted by the lead management group as compensation for supporting and distributing newly-issued bonds.

The simplest way to explain the *praecipuum* is to use a hypothetical example. A typical 10-year Eurobond with 2 per cent underwriting commissions has traditionally carried a ⅛ per cent *praecipuum*. Recently, however, there has been downward pressure on the level of the *praecipuum*, particularly at the shorter end of the maturity range.

The example below takes a two-year, $100m deal with a 10 per cent coupon and an issue price of 101⅛. Underwriting fees are 1⅛ per cent, with a *praecipuum* of $0.10. It is assumed underwriting fees will be paid in full as recommended by the International Primary Markets Association (Ipma).

The simplest case is when the lead manager keeps a $50m allocation, syndicating the remaining half of the deal among a series of co-managers. A co-manager accepting an invitation would buy the bonds at less full fees of 1⅛ per cent plus the *praecipuum* charge, or 100.10 per cent. The bonds would have to trade inside fees before co-managers would make any money on the deal.

By contrast, the lead manager owns the bonds at par, but can deduct the $50,000 *praecipuum*, making a net price on its allocation of 99.90, 0.15 per cent cheaper than the co-managers. If it were forced to buy back all the bonds, it would still own all the paper at 99.95 per cent, so it would stand to make money on any bonds sold at less full fees.

Clearly, this gives the lead manager considerable room to manoeuvre, particularly if market conditions cause the price to drop below the level at which co-managers break even.

In addition, a price differential of 0.15 per cent can have a profound effect on the yield of the bonds. In the example above, the lead manager would have a yield advantage of around 8 basis points, which might be the difference between sales and disaster.

Reality is rather different. For example, the lead manager and co-lead managers normally underwrite between 65 and 80 per cent of a deal, reducing the proportion of the issue which can benefit from the effective subsidy of the *praecipuum*. In addition, sole lead management positions are rare.

Before the Ipma meetings, which resulted in the recommendations on stabilisation and underwriting procedures, several houses took steps to sweeten individual deals by reducing the *praecipuum*.

On March 9, for example, Union Bank of Switzerland publicly announced that its was charging only a 1/16 per cent *praecipuum* on its Alliance & Leicester Building Society £100m 11⅛ per cent seven-year deal, half the normal charge.

The bank has been prominent among houses reducing the *praecipuum*, arguing that syndication strategies designed to introduce a new sense of realism imply a structure in which everybody owns the bonds at roughly the same price. Most of UBS's recent deals have had token *praecipuum* charges of 0.025 per cent.

It is easy to see how a large *praecipuum* on a tightly priced deal arouses the same criticism that deductions from fees for stabilisation aroused before the Ipma guidelines were changed. Lead managers stand charged with abusing the *praecipuum* to launch a deal which would otherwise be uneconomical.

In practice, because they themselves regularly launch deals, many of the leading houses defend the *praecipuum*, but advocate a flexible attitude to specific charges. For them the question is one of risk.

The lead management group consists of a small number of houses which underwrites the majority of a given deal and shares the *praecipuum*, while the co-management group exists mainly to promote the liquidity of the bonds.

Lead managers are prepared to, or expect to, buy paper back from the co-managers as part of the placement process. They argue that the extra risk implied by their larger exposure to the market should allow them a higher reward.

In cases where the so-called bookrunner, the house which has bought the whole issue from the borrower and is responsible for syndicating the bonds, acts in exemplary fashion, supporting the deal and ensuring its orderly placement, few would dispute its claim to deserve an additional fee.

As one syndicate manager succinctly put it: "I don't have a problem with the bookrunner making a little extra on a deal because of the *praecipuum* if I've made some money too. But I do have a problem with the *praecipuum* on occasions where I'm losing money at the expense of the lead manager."

At its simplest, the issue of the *praecipuum* can be reduced to the inherent advantage gained by the lead manager simply by virtue of its position. A house which knows it is about to launch a deal can approach clients first, hedge its position in the wider market and limit its exposure.

Whether it should be allowed to exact an additional reward from its rival houses via the *praecipuum* is the question. Given that the lead manager already has an allowance for the physical expenses involved in launching an issue, many houses feel that any *praecipuum* charged should be nominal and should not severely disadvantage the co-managers.

They do not mind the principle of joining and rendering. It is, however, a matter of degree.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Tokyo Tatemono‡◆	200	1993	4	4¼	100	Daiwa (Europe)	4.250
Furukawa Co.‡◆	250	1993	4	4⅛	100	Nomura Int.	4.125
Daiken Trade&Ind.‡◆	100	1993	4	4¼	100	Daiwa (Europe)	4.250
Toyo Sash Co.‡◆	500	1993	4	4⅛	100	Nomura Int.	4.125
Mitsubishi Corp.‡◆	1.5bn	1994	5	4⅜	100	Nikko Secs.(Eur.)	4.375
Nippon Paint Co.‡◆	150	1993	4	4¼	100	Nikko Secs.	4.250
Jardine Strat.Hldg.§◆	200	(c)	(c)	6½	99.5	CSFB	-
Eagle Ltd.†◆(h)	65	1992	2¾	20bp	100.10	Yasuda Trust (Eur.)	-
Eksportfinans◆(i)	100	1992	3	14¾	101⅜	Goldman Sachs	14.196
Nippon Oil Fin.(Neth)◆	100	1993	4	10¼	101½	Nikko Secs (Eur.)	9.779
Chugoku Elec. Power◆	150	1996	7	10	101½	Nomura Int.	9.695
Bank of Montreal◆	100	1990	1	10	101	Bankers Trust Int.	8.911
CANADIAN DOLLARS							
World Bank◆	200	1996	7	0	50.95	BPCM	10.112
Westpac Banking◆	150	1991	2	11½	101.475	Merrill Lynch	10.643
D-MARKS							
DG Bank Lux.★★◆	100	1993	4	6½	100	DG Bank	6.500
Dresdner Finance†◆(k)	1bn	1999	10	6 11/32	100.05	Dresdner Bank	6.563
SWISS FRANCS							
Japan Air Systems§★★◆(q)	100	1993	-	½	100	Swiss Volksbank	0.500
Nishi-Nippon Bank§★★(s)	150	1993	-	(½)	100	Credit Suisse	★
Sanyo El.Railway§★★◆(r)	80	1993	-	½	100	BSI	0.500
Fuji Bank§★★(a)	500	1993	-	0	100	SBC	-
Fuji Bank§◆(b)	300	1993	-	½	100	SBC	0.500
Kawasaki Kasei Chem.§◆(d)	50	1991	-	½	100	SBC	0.500
MOS Food Services§◆(e)	130	1993	-	½	100	BSI	0.501
Tokyo Tatemono§★★◆(f)	130	1994	-	0	100	UBS	-
African Dev.Bank◆	150	2001	-	6¼	100.5	Credit Suisse	6.190
Towa Real Estate§◆(o)	200	1994	-	½	100	Credit Suisse	0.501
Dai-Ichi Hotel§(p)	50	1994	-	(½)	100	Swiss Volksbank	★
SWEDISH KRONER							
World Bank◆(l)	500	1993	3½	10½	100⅞	Svenska Int.	10.146
GUILDERS							
TNT◆	100	1994	5	7.5	101	Algemene Bank	7.254
Rank Xerox Fin.◆	100	1994	5	7.25	101.25	Algemene Bank	6.946
World Bank◆	300	1999	10	7⅛	100.80	AMRO Bank	7.011
ECUs							
Cerinvest NV◆	50	1991	2	9¼	101.8	Merril Lynch	8.237
SNCF◆	100	1999	10	9	102	Credit Lyonnais	8.693
Parbel Int.Fin.◆	50	1995	6	8¼	101	Banque Paribas	8.033
Denmark◆	100	1994	5	8.75	101.625	Credit Lyonnais	8.339
STERLING							
Cookson Group Fin.§◆(g)	84	2004	15	5⅛	100	CSFB	5.125
FRENCH FRANCS							
Compagnie Bancaire◆	700	1995	6	9⅛	101⅝	Credit Lyonnais	8.765
YEN							
Fed.Nat.Mort.Ass.†◆(j)	7bn	1996	7	30bp	100.10	LTCB	-
Girozentrale◆(m)	8bn	1993	4	6½	101⅜	Bankers Trust Int.	6.102
Fujikura Int.Man.◆	5bn	1999	10	7.325	102	Nomura Int.	7.040
Christiania Bank◆(n)	9bn	1994	5	9¼	101⅞	IBJ Int.	8.771
Montreal Trustco.◆	6bn	1993	4	5¼	101⅝	Sumitomo Fin.Int.	4.794
Cariplo◆(t)	3bn	1996	7	6	101⅞	Nomura Int.	5.668
Den Danske◆(m)(u)	3bn	1994	5	7.4	101⅞	Nomura Int.	6.943
Den Danske◆(m)(u)	2.5bn	1994	5	6.5	101⅞	Nomura Int.	6.054
PESETAS							
Int.Fin.Corp.◆	10bn	1994	5	12½	101⅝	Deutsche Bank	12.049

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. †Floating rate note. ◆Final terms. a)Indicated put to yield 2.535. b)Put to yield 1.872. c)Undated maturity. d)Put to yield 2.087. e)Put to yield 2.09. f)Put to yield 2.893. g)Issue amount increased from £80 to £84.Convertible preference shares. Call from May 1989 at 105 declining 1% p.a. Put June 1994. h)20bp over 6-month Libor. i)Redemption based on gold spot prices. j)Coupon refixed semi-annually at 30bp below the Yen-Yen swap rate. k)Coupon fixed at 6 11/32 on 3-month Libor. l)Fungible with existing Kr500m. m)Redemption linked to Nikkei stock index. n)Coupon payable in A$ at rate of Yen104.99 to A$. o)Put option to yield 2.205. p)Indicated put option to yield 2.448. q)Put to yield 2.247. r)Put to yield 2.087. s)Indicated put option to yield 2.143. t)Redemption amount linked to Yen-US$ exchange rate. u)Launched in two tranches. v)Fungible with C$100m issue launched Feb 1989. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Trade figures give optimistic tone

THE gilt-edged securities market moved ahead last week, encouraged by last Wednesday's trade figures and by the belief that if there is going to be a sterling "crisis," then it has been delayed.

Prices improved all along the yield curve, heartened both by the improving outlook for the US bond market and by the growing belief that the threat of an imminent rise in UK interest rates had subsided. The greatest improvement was seen at the short end.

The authorities made plain they did not want to see rates rise 10 days ago when the Bank of England refused to deal in the Treasury Bill market. Having "toughed" that out, the authorities are quietly confident that they can survive with 13 per cent base rates for some time.

The view from the Bank is that base rates do not need to rise. In this it appears to be at one with the Treasury. It has become more confident that it is seeing the consumer, and by extention the economy, respond to 13 per cent base rates. Here it looks at the housing market and the behaviour of retail sales.

Curiously for the Bank, it is also playing down the upward trend in pay settlements. It makes two points: firstly, that the uptick in settlements is just that, an uptick not a dramatic rise; and, secondly, that settlements are a lagging indicator and they were expected to rise.

The market would, however, be wrong to expect anything approaching an early cut in rates. Despite the good behaviour of M0, which the Bank regards as just another indicator and nothing particularly special, even though it has a target, the view from the Bank is that 13 per cent is here to stay for some time yet.

It also seems confident that sterling can weather unsettled conditions internationally. The Bundesbank's rise in its discount rate was of local German significance and did not presage another rise in interest rates worldwide.

* * *

THIS FRIDAY'S reverse auction for £500m of medium-dated gilts has the potential to prove much more interesting than the Bank's first effort in January. It is by no means certain that the venture will prove as successful this time around as it was last time.

For a start, the risk/reward calculations are much more finely balanced than before when the stocks in qnestion only had a limited life.

The three auction stocks – 15½ per cent Treasury Loan 1998, 14 per cent Treasury Stock 1998/2000, and 12 per cent Exchequer Stock 1999/2002 – performed better than the market the day the auction announcement was made and hava performed marginally better than the market ever since.

This relative strength is indicative of greater bnying interest relative to other stocks in the medium area by some dealers who must be building positions either to unload at the auction themselves or to accommodate clients' needs.

The question that arises is, what happens if one is not successful in unloading all, or part of, one's holding?

A holder or any of the above stocks will not be able to sell them back to the Bank which will not engage in secondary market activity in the targeted stocks until after June 2. As there is nothing inharently worthy about the three stocks in question, it is a fair supposition that they will cease to outperform the market once the auction is over.

As a speculator bidding in the auction, therefore, the calculation has to involve an assumption about the the level of price deterioration after the auction relative to tha purchase price and the performance of the sector as a whole. The 99/02's have fallen 32 basis points in yield since the day before the announcement and last Friday's close.

One sidelight on the auction is that it is framed in terms of gilts with a *nominal* value of £500m. As the three auction stocks sell at a hefty premium the Bank will, in fact, be paying out much more than £500m. If it were to satisfy its demand hy buying only the Treasury 98s then it would pay out £650m – about the current market value – for £500m of stock nominal. Assuming a fairly even distribution it is likely the Bank will pay out around £600m to get its £500m nominal stock.

Simon Holberton

US and Japan to discuss financial market issues

SENIOR officials of Japan's Ministry of Finance and the US Treasury Department plan a meeting this month to discuss bilateral financial market issues, Reuter reports.

The meeting forms part of a series of follow-up talks resulting from a May 1984 agreement between the US and Japan to promote financial market deregulation. Government officials said there were no special or urgent items on the agenda.

● On Friday, the insurance council, an MoF advisory body, will start to discuss revisions of the Insurance Business Act which governs the insurance industry in Japan.

Insurance officials said the council would focus on whether insurers should be allowed to enter bond dealing and underwriting and foreign exchange businesses and could possibly choose to become a joint stock or mutual company.

US MONEY AND CREDIT

World policy shifts lift confidence

THE MOST surprising, and therefore the most important, development of the past few weeks for the US bond market has not been the modest strengthening of the economy signalled in yesterday's purchasing managers' report.

It was the news from the National Association of Purchasing Managers (NAPM) that dominated the bond market's thinking in the past few days. However, behind the market's daily gyrations on ephemeral and probably meaninglass blips in economic information, a more significant story appears to be unfolding of shifts in international economic policy and changes in the balance of power between the world's central banks.

If anything justifies the underlying confidence which is so apparent in hoth the US bond market and the dollar, it is not one figure or another on employment or industrial production. Rather, it is the growing evidence that the monetary authorities in what used to be called the hard currencies countries, most importantly the German Bundesbank, had failed or rather given up, in their attempts to create a more stable international store of value and reserva currency than the US dollar.

This is the message of the weakness of the D-Mark, which is lower than it was before the Bundeshank raised German interest rates two weeks ago. Tha implication of the Germans' inability to strengthen their currency is as important for investors in America as in Europe.

For it suggests that the international convergence of economic policy, which seems to be the main objective of the Group of Seven and the European Monetary System, will take place on terms dictated not hy the Bundeshank but by the Federal Reserve Board, the White House and the US Congress.

With the Bank of Japan likely to play a quite independent role, directed as ever towards the long-term expansion of Japanese economic power, while the monetary authorities in France, Spain and even Italy, seize the policy initiative from the Germans within Europe, the new balance of power among the central banks is likely to produce higher world inflation. For the financial markets in the US and other inflation-prone countries, however, this may well be good news.

A world where the Germans, Swiss and Dntch converge towards the relatively high inflation policies of the Americans, British and Italians may be quite comfortable for US bond investors, at least in the short to medium term. Certainly it will be more comfortable than a world where the Fed either lets the dollar collapse or has to tighten policy continuously until US inflation falls to the near-zero level that was considered, until recently, a realistic ultimate objective for the Bundesbank.

That zero inflation is no longer a serious objective of the Bundesbank is demonstrated not only by the actual acceleration of German price increases. Much more important evidence, especially from the US and international standpoint, comes from two recent policy announcements. First tbere was the half-hearted way the Bundesbank took its decision to raise German interest rates.

Considering the atories of dissension within tha central bank, which indicated that Mr Karl Otto Pöhl, its President had resisted the increase, it was not surprising the D-Mark began to fall shortly after the Bundesbank's decision. Even more importantly, Germany's apparent willingness to contemplate a European monetary union, as outlined in the Delors report, without insisting first on a big realignment of exchange rates, suggested that European diplomacy had now acquired higher priority than the reduction of inflation among Germany's policy elite.

But why are these two developments so significant for the US bond market? The essential answer is simple. A regime of fixed exchange rates can only be maintained in the medium term if the growth of unit costs in all countries converges around some common level. Until recently it seemed US inflation of 5 to 6 per cent, combined with the country's huge trade deficits, would doom the dollar to big devaluations. These devaluations, even if they did not accelerate inflation, would make investment returns for dollar bond holders less attractive than for investors in "hard currency" bonds.

If, instead inflation in the "hard currencles" accelerates towards the US level, then the long-term need for dollar devaluation becomes less pronounced. Domestic dollar bond investors do not need to worry about the disruptive impact of dollar devaluations, while international investors can expect to do much better in high interest rate currencies than in the hard currencies which turn out not to be so hard at all. This is precisely what has been happening in the past few years.

Until recently, however, the sceptics have predicted that Germany would act sooner or later to stop its vicious circle of currency devaluation and rising inflation. If the Bundesbank acted suddenly and decisively, the cumulative gains from high-yielding investment in dollars pounds or french francs would he more than wiped out through a massive revaluation of tbe D-Mark. Today, that kind of decisive action seems much less certain than it did a few months ago.

* * *

THE NAPM report came as something of a sbock for the bond market yesterday. After last week's strong rumours that the NAPM diffusion index would show a decisive fall below the 50 per cent level considered to be tbe dividing line between economic expansion and slowdown, the actual figure of 53 per cent came as a heavy blow to the bullish majority of market operators.

The NAPM has consistently and reliahly foreshadowed each month's official economic indicators. Yesterday's report suggested that most measures of economic activity, inclnding production, orders, exports and inflation, though not perhaps employment, would abow a significant rebound in April.

The main index rose from the 50.4 per cent reported in March to 53.0 per cent, somewhat above the average level of 52.2 per cent for the first three months.

The high April figure contrasted with the expectations of 49 per cent or less which had fuelled last week's bond rally and suggested the slowdown observed from the beginning to the end of the first quarter may have run its course.

The more specific indices also rose sharply. Production was up from 50.7 to 55.5 per cent and new orders rose from 50.7 to 55.3 per cent.

Anatole Kaletsky

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.81	9.87	9.87	10.00	6.27
Three-month Treasury bills	8.84	8.93	9.03	9.13	6.21
Six-month Treasury bills	9.10	9.09	9.01	9.67	5.72
Three-month prime CDs	9.81	9.95	10.15	10.15	6.77
30-day Commercial Paper	9.70	9.70	9.95	9.70	6.55
90-day Commercial Paper	9.65	9.70	10.05	10.05	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	101[illegible]	+[illegible]	9.12	9.20	9.51
20-year Treasury	102[illegible]	+[illegible]	9.07	9.08	9.32
30-year Treasury	98[illegible]	+[illegible]	8.97	8.98	9.21

Source: Salomon Bros (estimated).

Money supply: In the week ended April 17 M1 fell by $400m to $781.6bn

NRI TOKYO BOND INDEX

December 1983 = 100	27/4/89	Average yield† (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	148.09	4.99	148.10	148.67	146.58
Government Bonds	148.38	4.79	148.43	149.41	147.67
Municipal Bonds	150.01	5.21	149.91	150.95	147.94
Govt.-guaranteed Bonds	150.03	5.26	150.88	152.09	149.11
Bank Debentures	141.80	4.94	141.87	141.65	140.00
Corporate Bonds	149.94	5.42	149.93	148.67	146.15
Yen-denom. Foreign Bonds	153.61	6.18	153.95	152.56	149.21
Government 10-years	5.00		4.98	4.87	4.88

† Estimated par yield

Source: Nomura Research Institute

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
AHFC O/S. FIN. 11¼ 94	100	100¼	−¼	11.49
ALBERTA PROVINCE 7½ 91	750	94⅛	+¼	9.91
ALBERTA PROVINCE 9¾ 95	600	98¼	+½	9.73
ALCOA AUSTRALIA 11 92	80	100¼	+¼	10.94
AMERICAN GENERAL 9¾ 95	100	99¾	+¼	9.80
AUSTRALIA 11¼ 95	100	100⅝	+¼	10.43
AUSTRALIA 11¾ 00	100	105¼	+½	10.36
AUSTRIA 7¾ 97	200	89¾	+¼	9.24
[illegible]				

	Issued	Bid price	Chg on week	Yield
QUEBEC PROV 13 90	130	103	+¼	10.66
QUEENSLAND GOVT 11½ 89	100	100¼	+¼	10.81
RALSTON PURINA 11¾ 95	130	104¼	+½	10.77
REYNOLDS R.J. 10¼ 93	100	94	+½	12.06
RICHARDSON-VICKS 11¼ 93	125	102¾	+¼	10.74
ROCKWELL INT 9¾ 90	200	99¼	+¼	10.53
S.A.S. 10¼ 95	150	100¼	+¼	9.99
SARA LEE 9¼ 95	150	96¼	+¼	10.44
SASKATCHEWAN 7 91	125	94¼	+¼	10.50
SASKATCHEWAN 8¼ 91	150	97¼	+¼	10.08
[illegible]				

	Issued	Bid price	Chg on week	Yield
TEXACO CAPITAL 11¼ 94	500	105⅞	−1¼	−1.74

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALLIED-SIGNAL 6¾ 93	20.0BN	103	−¼	5.81
AVON CAPITAL 6¾ 92	26.0BN	100	0	6.73
BARCLAYS O/S INV 6 96	40.0BN	103¼	0	5.44
B.F.C.E. 5¾ 96	20.0BN	102¾	0	5.26
CANADIAN PACIFIC 6¾ 96	10.0BN	105½	0	5.73
[illegible]				

FLOATING RATE NOTES; OTHER STRAIGHTS; D-MARK STRAIGHTS; SWISS FRANC STRAIGHTS; CANADIAN DOLLAR STRAIGHTS; ECU STRAIGHTS; AUSTRALIAN DOLLAR STRAIGHTS; STERLING STRAIGHTS; EQUITY WARRANTS; CONVERTIBLE BONDS; BOND WARRANTS: [illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon. CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on MAY 1

Bad debt provisions cost Israeli banks $1bn

By Hugh Carnegy in Jerusalem

A PROFIT-SAPPING round of provisions undertaken by Israeli banks mainly to soak up e flow of bad debts from the country's faltering kibbutzim movement rose above $1bn at the weekend as United Mizrahi Bank reported a net loss for 1988 of Shl 18.5m ($10.25m).

The reversal at Mizrahi, Israel's fourth biggest financial group in terms of assets, was due to a record Shl 155m bad debt provision which overturned e Shl 18m profit shown in 1987. It brought the total set aside by the top five banks to Shl 1.94bn, equivalent to $1.07bn, almost double the level of last year.

The emergence last year of the extent of the collective debt of the kibbutzim co-operatives – more than Shl 7bn – was the biggest single reason for the banks' ebrupt reversal from the buoyant profits in 1987.

Apert from third-ranked Israel Discount Bank and fifth-ranked First Internetional Bank of Israel, which managed to stay in profit, it was e tale of losses, topped by the biggest group, Bank Hapoalim. It reported a net loss of Shl 53m, compared with a Shl 184m profit in 1987, after provisions of Shl 885m.

The question now is whether the banks can get back on the rails this year.

The banks themselves say they are confident thet the worst of the kibbutzim crisis is behind them. Although they would have liked to have seen the Government do more to help, they are mostly grudgingly satisfied with a state peckege of Shl 850m in short-term help and Shl 3bn to back e 25-year loan restructuring plan which all but Mizrahi have accepted.

Bank executives point ont that the latest provisions were financed largely out of operating income, which held up well, not capital. "We have more or less identified the hig (debt) problems now. There shouldn't be problems of this size again," said Mr David Friedman, chief execntive of Bank Leumi le-Israel.

However, the level of non-kibbutzim provisions – about half of the total – does seem to be a cause for some continued concern, especially when seen as part of a trend of rising provisions in the last three years.

Prominent among the non-kibhutz provisions set aside this year was Koor Industries, the hig conglomerate owned hy the Histadrut labour federation, which has debts of $1.25bn, more than two-thirds to the Israeli banks. A rescue package, also backed by the Government, has virtually been tied up et Koor, bnt another senior banker said a question mark still hung over its ability to return to profitability. "We need to monitor developments there very carefully," he said.

Bank Hapoalim, also owned by the Histadrut, is the most heavily exposed to Koor. With its commitment to other labour-owned concerns such as Histadrut's somewhat sickly health insurance scheme, it perhaps more than the others needs an upturn in a recently stagnant economy to help performance in 1989.

Flat domestic demand, depressed in part by the effect of the Palestinian nprising and poor export performance due to an overvalued shekel, were negative features in 1988. Devaluation in January and flattening inflation and interest rates should help this year, but an upturn at home has yet to materialise.

As much as anybody, the Government will be hoping for e return to an even keel hy the banks. It wants to resolve the anomaly whereby it owns the vast majority of bank stock, ecquired after a stock exchange crash in 1983, hut control remains with minority shareholders.

It is leaning towards some method of privatisation. But, having paid a dollar-linked price for its holdings well above present market values, the last thing it needs is a slump in bank performance.

HBG raises stake in rival to above 50%

By Our Financial Staff

HOLLANDSCHE Beton (HBG), the Dutch construction group, claims to have acquired majority control of Volker Stevin, the construction and dredging group it has been stalking since last autumn.

During the weekend, HBG said that stock market transactions in the past few months had taken the company's shareholding in Volker up from 40 per cent to a majority, which was not specified.

HBG, which first announced it was buying Volker shares in October 1988, said that it was continuing to seek e full takeover.

Volker has repeetedly rejected any idea of merger.

In effect, HBG's majority shareholding in the common gives it little power to influence Volker's management.

Earlier this year, Volker beefed np its anti-takeover defences by issuing a two-year option to buy up to 7.5m preferred shares to e trust that in effect is controlled by management and which already owns 2.5m Volker voting preferred shares.

This effectively diluted the voting power of HBG, which at present is estimated to control about 6.5 per cent of the votes in Volker, including both common and preferred shares, despite its majority holding of the common stock.

The bulk of Velker's common stock – around 70 per cent – is issued to shareholders in the form of depositary receipts that have limited voting rights.

Last week, a Dutch court denied a Volker bid to deny any voting rights to HBG, which holds a combination of common stock depositary receipts and underlying shares.

But the majority stake will entitle HBG to consolidate Volker into its annual accounts.

For 1988, Volker bounced back to profit, turning a net loss of Fl 169m into a surplus of Fl 17.8m ($8.47m).

Its turnover totalled Fl 1.9bn. HBG made a net 1988 profit of Fl 54.5m on turnover of Fl 3bn.

Tenneco boosted by farm side recovery

By Roderick Oram in New York

TENNECO, the diversified manufacturing and natural gas pipeline group, has reported sharply higher first-quarter earnings thanks to a return to profit by its farm and construction equipment business.

Net profits from continuing operations for the three months ending March 1989 rose to $109m, or 82 cents a share, from $10m, or 2 cents, a year earlier.

Revenues edged ahead less than 1 per cent to $3.32bn from $3.29bn. Income from discontinued operations made the year-earlier final net $63m, or 38 cents.

The better performance showed that Tenneco's restructuring and change of focus last year are "producing positive results," said Mr James Ketelsen, chairman.

The biggest turnround came in its J I Case farm and construction equipment operations, which reported operating profits (before interest and tax) of $24m in the quarter against e loss of $80m e year earlier following a change in the accounting rules.

On the previous accounting basis, the division improved to operating profits of $5m from a loss of $53m.

The upturn reflected increased sales volume for both farm and construction equipment, savings from cost reduction programmes and the ahsence of previous large start-up costs.

Natural gas pipelines generated operating profits of $112m against $87m, led by better earnings from non-federally regulated areas of pipelines plus methanol and natural gas liquids.

Pipeline volumes increased despite a warm winter.

Venture for Asia airport services

By John Elliott in Hong Kong

JARDINE Pacific of Hong Kong and China National Aviation Corporation (CAAC), a Peking-owned airline agent, yesterday announced a joint venture to develop airport ground handling services in Asia.

The deal involves China National Aviation Corporation, the Hong Kong agent of the Civil Aviation Administration of China, taking a 36 per cent stake in Jardine Airport Services, part of Jardine Pacific. The value of the investment was oot disclosed.

The deal enlarges China's involvement in Hong Kong aviation eight years before the colony reverts to Chinese sovereignty in 1997.

CAAC already has a 12.5 per cent stake in Cathay Pacific Airways, the colony's main air line. A Peking-owned corporation, Hongkong Macau International Investment, is a shareholder in Dragonair, the colony's second airline.

Jardine Airport Services handles 10 airlines at Hong Kong's Kai Tak airport. The new venture hopes to play a role in developing a new airport at Macao, the Portuguese enclave.

Foreign groups stalk Spanish builders

By Peter Bruce in Madrid

MAJOR European competitors are thonght to have taken important stakes in Spain's two largest construction companies, Dragados y Construcciones and Agroman.

Recently there has heen heavy speculative stock market activity in Dragados shares, while on Friday Banco Espanol de Credito (Banesto) disclosed that it had sold a 20 per cent stake in Agroman.

Banco Central, which indirectly controls nearly 30 per cent of Dragados, said that 20 per cent of the construction group's shares had changed hands in the past few weeks. Dragados shares have risen nearly 50 per cent overall this year. The bank denied reports, however, that it had been approached by the hig French construction group, Bouygues, with a view to joining Central on the Dragados board.

At the same time, Banesto confirmed it had recently sold 20 per cent of Agroman and that foreigners were among the buyers. Suggestions that Bouygues was among the buyers were not being denied by the bank but officials claimed not to he ahle to confirm it. Banesto still controls 51 per cent of the company, which is quoted in Bilbao.

in Paris on Friday Bouygues denied eny involvement in either company. But fears that foreign interests have bid up Dragados shares persist and helped calm a hitter Dragados shareholders' meeting in Madrid on Thursday. Shareholders tried in vain to shout down a board proposal to issue Pta15bn ($130.4m) worth of convertible bonds and to make a Pta8.5bn capital increase. Dragados made a Pta3.5bn pre-tax profit last year, nearly double its earnings in 1984. A disputed claim by the board that it controls most of the equity has also left shareholders worrying about e takeover.

The sale by Banesto of 20 per cent of Agroman, which ranks second to Dragados in the Spanish construction league, is part of an effort by the bank to raise capital to fund its problematic banking operations. Banesto needs to strengthen its balance sheet after the collapse two months ago of its merger with Banco Central.

It recently sold a stake in the mining group, Asturianas de Zinz, to Curragh Resources of Canada and is considering disposing of part of Tudor, its big battery producer.

Dragados and Agroman would have merged had the two banks joined forces. Banesto's need for funds has also prompted it to propose grouping its indnstrial interests under a new holding company.

The upsurge in activity in construction shares has jolted the Madrid bourse out of its winter torpor and led to e titanic struggle for control of another of the top five Spanish companies, Cubiertas y MZOV, which is struggling to fight off two other major competitors, Ferrovial and Entrecanales. Between them, these two have acquired some 37 per cent of Cubiertas y MZOV.

Overseas subsidiaries help to lift Dyno Industrier

By Karen Fossli in Oslo

DYNO INDUSTRIER, the Norwegian diversified chemicals company, improved first-quarter net income by NKr2m to NKr56m ($8.25m) with help from foreign subsidiaries. Turnover rose 10 per cent to NKr1.36bn.

The explosives division saw a 12 per cent increase in turnover to NKr695m with progress in Sweden, south-east Asia and Australia.

Reduced activity in the Norwegian construction industry weakened domestic results with defence sales starting slower this year.

Though operating income in the US increased by 35 per cent, the group had to absorb lower margins and high costs related to acquisitions.

Operating income within the chemicals division rose to NKr369m from NKr339m while the plastics division posted a 31 per cent increase to NKr229m. The machinery division saw operating income slide to NKr66m from NKr94m. Dyno also announced the acquisition of the West German-based Elbatainer, a plastics group, which is the sole supplier of plastic petrol tanks to Daimler Benz.

Dyno, which ranks among Europe's top four plastic petrol tank producers for the motor industry, said that Elbatainer had been a loss-making enterprise which it intends to restructure.

Speculation over future of Monaco TV station

By John Wyles in Rome

THERE is speculation over the future of Telemontecarlo, the Monaco-based private Italian television station, after an announcement that J M Communication of Luxembourg had purchased the controlling stake from Rede Globo, the station's Brasilian owner.

The purchase by this previously unknown company, unveiled in Paris on Friday, has neither been confirmed by Telemontecarlo nor by Rede Globo.

The J M Communications' statement, which was carried by Ansa, the Italian news agency, said it had acquired 90 per cent of Seabay Corporation, which owns 90 per cent of Telemontecarlo. The remaining 10 per cent belongs to the Rai, the Italian state television company.

Mr Norbert Saada, a film producer, has been made chairman of Seabay.

Telemontecarlo was recently thought to be part of plans by prominent financiers to bring pay television to Italy.

Southam advances 24%

By Robert Gibbens in Montreal

STRONG commercial printing markets offset flat newspaper results for Southam, the big Canadian communications group, in the first quarter of 1989.

Net profit before special items was C$21.5m (US$18.2m) or 36 cents a share, up 24 per cent from C$17.2m or 29 cents a year earlier. Revenues were just 3 per cent higher at $411m.

Newspaper revenues were flat at $182m, but cost-cutting brought a 22 per cent gain in operating income to $22.5m. The printing division's operating income was up 11 per cent to $12.8m. Southam's bookstores division reduced its loss.

Torstar – publisher of the Toronto Star, Canada's largest daily newspaper, in which Southam has a 30 per cent non-voting interest – earned $21.2m or 58 cents.

APPOINTMENTS

New chief for Habitat group

■ Mr Michael Harvey is to be appointed a director of STOREHOUSE, and chief executive of the home furnishing division, which includes the Habitat group worldwide and Heal's stores in the UK. He takes up his new post in early June. A former chief executive of Viyella, he is chief executive of his own company, TowerBridge, office and retail refurbishment contractor. Mr Harvey succeeds Mr Francis Bruguiere who has retired.

■ Mr John Sandle has been appointed director and general manager, standard products division, DAVID BROWN GEAR INDUSTRIES, Huddersfield. He was sales and marketing director of Vickers Instruments.

■ Mr Gordon Littleford has been appointed vice-chairman of Kerry Ultrasonics, a HALMA machinery and services division subsidiary. He was managing director, and is succeeded by Mr John Zarno, previously managing director of Castell Safety International. Mr David Milner becomes managing director of Castell, moving from managing director of Ellis Integral Valve Locks, another subsidiary. Dr David Smoker has been appointed sales director of Wilkinson and Simpson, an environmental control division subsidiary. Mr Frank Linker has been named vice chairman of The American Tech Manufacturing Corporation, an American division subsidiary, of which Mr Robert Michaels becomes president.

■ BRADSTOCK GROUP has appointed Mr Stephen W. Calcraft as managing director of Bradstock, Blunt (Plastics), and Mr Peter D. Robinson becomes a director. The group is opening a Bradstock Blunt office in Dublin and has appointed Mr Declan Healy as executive director of the new company. He was a director with Bain Clarkson (Ireland). He will be joined by Miss Marie Dowling who was managing director with Irish Underwriting Agencies.

■ CARR'S MILLING INDUSTRIES has decided to merge its subsidiaries Carrs Farm Foods, Barrs Fertilisers, Oliver & Snowdon, James Reive & Sons, and Thos. Edmondson, into a new company to be called Carrs Agriculture. The managing director will be Mr Keith Barkhouse, and Mr Gary Mountain will be feeds director and deputy managing director.

■ Following the recent rescue of PROPERTY COMPANY OF LONDON through a reverse takeover, Mr Graham Fisher has been appointed chief executive and Mr Alistair Smith becomes an executive director.

■ Mr Stuart May is the new senior partner of THEODORE GODDARD, City solicitors, taking over from Mr Michael Walters who retired on May 1.

■ Mr Richard Stubington has joined the board of INFLO BULK CONTROL SYSTEMS as a special director. Formerly chief executive of Peabody International Corporation's European operations group, he is now an independent management consultant.

■ Dr Robert Hawley, managing director (operations) of Northern Engineering Industries, has joined the board of the NORTHERN DEVELOPMENT COMPANY.

■ Mr Alan Watts has been appointed deputy chairman of E. UPTON & SONS, and will become group managing director. Mr Michael Bonney has been appointed to the group board. Mr Watts is chairman, and Mr Bonney managing director of Southern & City Developments, the group's commercial development subsidiary.

■ VISNEWS, international television news agency, has appointed three senior executives from Reuters Holdings (the majority shareholder) to its board. They are Mr Peter Job, managing director of Reuters Asia and an alternate director of Reuters Holdings; Mr Mark Wood, Reuters editor-in-chief from May 1; and Mr Patrick Mannix, Reuters international technical manager. The changes preserve the Reuter majority on the Visnews board. Mr Peter Holland, deputy general manager designate of Reuters, becomes chairman of Visnews from May 1.

■ Ms Dorothy Drake, chairman of Profile, BROAD STREET's parliamentary and corporate public relations subsidiary, has joined the main board.

■ GARTMORE INVESTMENT MANAGEMENT has appointed Mr Keith Felton as group financial controller. He joins from Standard Chartered Merchant Bank where he was chief financial accountant.

■ Mr Robert Gardner has been appointed vice president public affairs, BRITISH AEROSPACE defence companies, a new post.

■ MIDLAND ROLLMAKERS, Crewe, part of Sheffield Forgemasters, has appointed Mr Clifford Webb as managing director. He joins from sister company R.B. Tennent, where he was managing director.

■ BUCKS GROUP, acquired by Hays last year, has appointed Mr Nigel Fincham as sales and marketing director. He joins from DHL Elan where he was national sales manager.

■ Mr Dave Hanson has been appointed engineering director of ALLISON SAFETY SYSTEMS. He was sales manager of Wormald Engineering.

Mr Simon R. Frost *(above)* has been appointed managing director of FAIREY HYDRAULICS. He joins from GEC Avionics where he was combat aircraft controls division manager.

Swan Hunter restructure

OULD MARSH R.VAUGHAN P.VAUGHAN

SWAN HUNTER has restructured. Mr Alex Marsh and Mr Roger Vaughan become joint group chief executives; Mr Ken Chapman, group director marketing; Mr Peter Vaughan group director investments; and Mr Adrian Ould group finance director. They also take senior posts at the group's principal subsidiaries - Swan Hunter International, Swan Hunter Shipbuilders, and Swan Hunter Investments.

UK COMPANY NEWS

Barlow liquidators sell 29.7% stake in J England

By Philip Coggan

A 29.7 per cent stake in J England, the quiche manufacturing and potato haulage company, has been sold by liquidators acting for Barlow Clowes Gilt Managers.

The stake was acquired by Mr Peter Clowes and Mr Guy Cramer in October 1987 and came into the hands of liquidators after the Securities and Investments Board closed down Barlow Clowes last year.

The buyer of the stake is Mr David Unwin, a Birmingham businessman with interests ranging from plant hire to department stores. He is paying 103p per share for the stake, having outbid several other tenders including a management offer, for the shares.

The price paid by Mr Unwin for the stake compares with Friday night's close of 113p, up 15p, and the 125p paid by Mr Clowes and Mr Cramar just before the October 1987 stock market crash. The shares have been buoyed recently by their "shell" attractions.

J England made profits of just £41,000 in the year to June, 1988 and Mr Unwin, who intends to become chairman, expects no increase this year. He wants to expand the food manufacturing and distribution division and he will inject some of his own businesses, initially the ceramic compounds company P E Hines.

NSM purchase

NSM, the coal mining group previously known as Burnett and Hallamshire, has acquired Advance Injection Moulders for a maximum consideration of around £3.2m.

The initial consideration is £1.8m in cash plus 450,000 ordinary shares, and a further payment of £1m cash will be made, dependent on future profits.

Booker £9m buy

Booker, the international food, agriculture and health products group, has acquired CWT Farms International, a broiler hatching egg producer, for $15.1m (£8.88m) in cash.

CWT is based in Gainesville, Georgia, and bas annual sales of over $20m and net operating assets of $9m.

CSI cash call for growth

By Vanessa Houlder

CANNON STREET Investments, industrial holding company, is acquiring Cotsworld Travel for an initial £3m, and Prestoplan Homes for an initial £7m in cash.

The company is also seeking shareholders' approval to raise up to £40m through the issue of cumulative redeemable preference shares. This will help finance future acquisitions and future payments under deferred, profits-related schemes.

Cotsworld, based in Gloucester, is a specialist tour operator which made pre-tax profits of £429,000 in the year to August 1988. The maximum possible total consideration is £12m.

Prestoplan Homes makes timber frame kits for the construction industry, and achieved profits of £2.3m in 1988. The maximum possible total consideration, depending on profits, is £25m.

The two acquisitions are in line with Cannon Street's policy of buying young, fast-growing companies with the intention of floating them after several years. At present it has 42 subsidiaries.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Burmin Expln.& Dev. (Section: Third Market)

Hewlett-Packard (Electricals)

Vizcaya Hldgs. (Third Market)

CLF Yeoman moves on acquisition loss

By Vanessa Houlder

CLF YEOMAN, the leasing company, has discovered heavy losses in a subsidiary acquired through its £88m acquisition of CLF Holdings last December.

It has made a provision of £12m for the loss-making subsidiary, Technology for Business. A rights issue of £15m has been called in order to restore the balance sheet.

Mr Tony Simkin, finance director, has resignad, although he will assist CLF until his successor is appointed.

The problems at Technology for Business, a computer distribution company, were only discovered after a detailed review of CLF Holdings that followed its acquisition. The scale of its difficulties emerged after a review by Price Waterhouse.

CLF Yeoman emphasised, however, that the problems in TFB did not affect the group's asset finance business, which was the object of last December's acquisition.

The division has now been put up for sale. In addition to losses and non-recoverable debts of about £8m, the company believes it may incur similar costs in pulling out of the business.

It is now reviewing its position with respect to legal action over the acquisition.

The shares are suspended pending an announcement at the end of next week which will give further details of the rights issue.

Feedex accounts qualified

By Vanessa Houlder

FEEDEX Agricultural Industries, a property developer and grain merchant, will have its 1988 accounts qualified following a disagreement with its auditors. This was disclosed at the same time as it announced that 1988 profits fell by a third from £3.16m to £2.03m.

Feedex has decided to override the advice of its auditors, Hodgson Impey, over the treatment of a transaction involving a related company.

The auditors argued that part of the proceeds from the sale of a development to a 50 per cent-owned subsidiary should have been exclnded from the 1988 result - in line with the first Statement of Standard Accounting Practice.

The company said that this view would haved resulted in an understatement of pre-tax profits by £945,000. Turnover fell from £143.84m to £139.54m.

Hopkinsons sharp fall

By John Ridding

HOPKINSONS Holdings, the Huddersfield-based valve manufacturer, yesterday announced a sharp fall in taxable profits from £1.56m to £243,000 for the year to the end of January.

The reason for the plunge lay in a halving of trading profit to £2.1m and an exceptional loss of £3.32m representing provisions for slow moving and obsolete stock. Group turnover remained stabla at £73m.

Earlier this week Hopkinsons Holdings reached a heads of agreement with the Weir Group for the sale of the business and its South African subsidiary.

Losses were also incurred at Blakeborough Valves, which the group has now decided to close. The costs of closure were taken as a £5.4m extraordinary item which helped depress earnings per share from 1.86p to 0.27p. Dividend for the year was down from 3.33p to 2.165p, with a 1.165p final.

Community Hospitals float will raise £20m

By Philip Coggan

COMMUNITY Hospitals Group, a private health care company, plans to join the main market via an offer-for-sale later this month.

The company, which currently owns or manages eight acute care hospitals and five nursing homes, will raise around £20m in an offer valuing it between £40m and £45m. Impact day, the day when the prospectus is issued, is set for May 11.

Mr Alan Dexter, chief executive, said the flotation was designed to widen the shareholding base, finance the development programme and raise the profile of the group.

Community made pre-tax profits of £1.5m on turnover of £13.9m in the year to June 30, 1988, compared with pre-tax profits of £1.2m (after exceptionals) on turnover of £3.46m in the previous year. Prior to 1988, Community mainly acted as an investment company, primarily receiving dividend income. Over the past two years, it has consolidated by buying up independent shareholdings in various hospitals.

Community's chairman is Sir Peter Thompson, who is also chairman of NFC, the transport and distribution company, which joined the main market earlier this year.

Granville is acting as issuing house to the company and Cazenove as broker.

Scottish Heritable

Scottish Heritable Trust, the York-based industrial holding company, has acquired CNA Tapis, the biggest oriental carpet company in France for Ffr15m (£1.5m).

The Paris-based CNA imports and distributes carpets and made sales of Ffr60m last year. SHT's existing subsidiary, Eastern Kayam OCM, is the largest oriental carpet wholesaler in the world. The acquisition of CNA is SHT's first in continental Europe.

Panel set to discuss Gold Fields position

By Philip Coggan

A FULL meeting of the Takeover Panel is set for Friday to discuss whether Consolidated Gold Fields is breaking the Takeover Code by continuing to pursue court action in the US against the Minorco bid, although the Luxembourg-based company has now topped the 50 per cent mark of Gold Fields shares.

Minorco argues that the US court proceedings constitute a "frustrating action"; Gold Fields argues that the action began before the current bid was launched following the MMC clearance, and that Minorco made its offer conditional on resolution of the court action.

It seems unlikely that Minorco will request an egm of Gold Fields shareholders, at which it could try and force the Gold Fields board to drop the action, before the Panel meets.

Meanwhile, the two sides clashed yet again, this time over reports that Gold Fields of South Africa, of which Consolidated Gold Fields owns 38 per cent, is planning a rights issue. The Gold Fields camp said that it had not been formally informed of any GFSA rights issue plans.

AIB to amend share capital

Allied Irish Banks is to amend its share capital in order to take advantage of instruments which are admitted as capital under new international regulations.

The bank is proposing to create two new classes of capital, 12m non-cumulative preference shares of £25 each and 125m similar shares of £1 each. The bank is also proposing to increase its authorised ordinary share capital from I£100m to I£200m. A one-for-one bonus issue will be made.

Approval for the changes will be sought from shareholders at an egm on May 24.

Resort Hotels £10m rights

USM-quoted Resort Hotels is launching a one-for-two rights issue to raise £9.7m and buying Rivenhall Motor Inn on the Chelmsford-Colchester road in Essex.

The issue of 59.98m shares, at 17p each, will cover both the £3.05m consideration for Rivenhall and the £4.13m that Resort agreed to pay earlier this month for Elcot Park Hotel near Newbury, Berkshire. The balance will be used for refurbishment and expansion.

Resort is forecasting pre-tax profits of at least £1m (£524,000) for the year to end-April.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims– Circaprint, Fundinvest, Kalamazoo, Sanderson Electronics, Tate & Lyle.

Finals– BDA, Beattie (James), Brewmaker, East Daggafontein Mines, Hunting Assoc, LGW, Moss Bros, OIS, Titaghur Jute Factory.

FUTURE DATES

Interims–

BOC	May 11
Bibby (J)	May 10
Fairline Boats	May 23
Grenall Whitley	May 22
Northern Industrial	May 23

Finals–

Allied Irish Banks	May 10
Foster (J)	May 17
Stanco Exhibition	Jun. 28
Stratton Inv Trust	May 22
UEI	May 11

FINANCIAL TIMES STOCK INDICES

	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Apr 21	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.85	86.68	86.64	86.24	86.16	85.98	89.29	85.84	127.4	49.18
Fixed Interest	97.25	97.04	97.00	96.97	96.96	96.84	99.59	95.93	105.4	50.53
Ordinary	1750.4	1745.9	1731.4	1708.9	1701.9	1700.5	1761.1	1447.8	1926.2	49.4
Gold Mines	185.0	186.2	185.1	186.5	186.6	185.7	196.1	154.7	734.7	43.5
FT-Act All Share	1090.04	1088.10	1078.39	1068.33	1063.66	1063.01	1101.68	921.22	1238.57	61.92
FT-SE 100	2118.0	2115.7	2093.4	2071.2	2062.0	2061.0	2125.4	1782.8	2443.4	986.9

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 28, 1989 . In some cases the rate is nominal. Market rates are the average of buying and selling rates, except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	58.7625	31.2598	44.2586
Albania (Lek)	10.0708	5.9625	3.1719	4.4908
Algeria (Dinar)	11.8177	6.9968	3.7221	5.2698
Andorra (Fr Fr)	10.7325	6.3543	3.3803	4.7859
(Sp Peseta)	196.75	116.4890	61.9685	87.7369
Angola (Kwanza)	51.7575	30.6438	16.3015	23.0802
Antigua (E Carr $)	4.5576	2.6984	1.4354	2.0323
Argentina (Austral)	129.805	76.8531	40.8834	57.8840
Aruba (Florin)	3.0215	1.7889	0.9516	1.3473
Australia (Aus $)	2.1243	1.2577	0.6690	0.9472
Austria (Schilling)	22.335	13.2238	7.0346	9.9598
Azores (Port Escudo)	262.80	155.5950	82.7716	117.1906
Bahamas (Bahama $)	1.6890	1	0.5319	0.7531
Bahrain (Dinar)	0.6377	0.3775	0.2008	0.2843
Balearic Is (Sp Peseta)	196.75	116.4890	61.9685	87.7369
Bangladesh (Taka)	52.80	31.2611	16.6299	23.5451
Barbados (Barb $)	3.3951	2.0101	1.0693	1.5139
Belgium (Belg Fr)	66.40c	39.3132	20.9133	29.6098
	66.70g	39.4908	21.0078	29.7435
Belize (B $)	3.3760	1.9988	1.0633	1.5054
Benin (CFA Fr)	536.625	317.7175	169.0157	239.2976
Bermuda (Bermudian $)	1.6890	1	0.5319	0.7531
Bhutan (Ngultrum)	26.50	15.6897	8.3464	11.8171
Bolivia (Boliviano)	4.3213	2.5584	1.3610	1.9270
Botswana (Pula)	3.4625	2.0500	1.0905	1.5440
Brazil (Cruzado)	1.7249	1.0212	0.5432	0.7691
British Virgin Is (US $)	1.6890	1	0.5319	0.7531
Brunei (Brunei $)	3.2910	1.9484	1.0365	1.4675
Bulgaria (Lev)	1.4416	0.8535	0.4540	0.6428
Burkina Faso (CFA Fr)	536.625	317.7175	169.0157	239.2976
Burma (Kyat)	11.3484	6.7190	3.5742	5.0606
Burundi (Burundi Fr)	262.50	155.4174	82.6771	117.0568
Cameroon (CFA Fr)	536.625	317.7175	169.0157	239.2976
Canada (Canadian $)	2.0050	1.1870	0.6314	0.8940
Canary Is (Sp Peseta)	196.75	116.4890	61.9685	87.7369
Cp. Verde Is (CV Escudo)	129.3261	76.5696	40.7326	57.6705
Cayman Is (CI $)	1.4010	0.8294	0.4412	0.6247
Cent.Afr. Rep (CFA Fr)	536.625	317.7175	169.0157	239.2976
Chad (CFA Fr)	536.625	317.7175	169.0157	239.2976
Chile (Chilean Peso)	428.36	253.6175	134.9165	191.0189
China (Renminbi Yuan)	6.3107	3.7363	1.9876	2.8141
Colombia (Col Peso)	618.62	366.2640	194.8409	275.8617
Comoro Is (CFA Fr)	536.625	317.7175	169.0157	239.2976
Congo (Brazz) (CFA Fr)	536.625	317.7175	169.0157	239.2976
Costa Rica (Colon)	135.9684	80.5023	42.8246	60.6325
Cuba (Cuban Peso)	1.2856	0.7611	0.4049	0.5732
Cyprus (Cyprus £)	0.8179	0.4842	0.2576	0.3647
Czechoslovakia (Koruna)	25.61c	15.1628	8.0661	11.4202
	16.60l	9.8283	5.2283	7.4024
	16.60t	9.8283	5.2283	7.4024
Denmark (Danish Kroner)	12.3475	7.3105	3.8889	5.5061
Djibouti Rep (Djib Fr)	301.00	178.2119	94.8031	134.2251
Dominica (E Carrib $)	4.5576	2.6984	1.4354	2.0323
Dominican Rep (D Peso)	10.7188	6.3462	3.3760	4.7798
Ecuador (Sucre)	762.10o	451.2137	240.0314	339.8439
	851.51a	504.1503	268.1921	379.7146
Egypt (Egyptian £)	4.228	2.5032	1.3316	1.8853
El Salvador (Colon)	8.4350	4.9940	2.6566	3.7614
Equat'l Guinea (CFA Fr)	536.625	317.7175	169.0157	239.2976
Ethiopia (Ethiopian Birr)	3.4740	2.0568	1.0941	1.5491
Falkland Is (Falk £)	1.00	0.5920	0.3149	0.4459
Faroe Is (Danish Kroner)	12.3475	7.3105	3.8889	5.5061
Fiji Is (Fiji $)	2.4615	1.4573	0.7752	1.0976
Finland (Markka)	7.0820	4.1930	2.2305	3.1580
France (Fr)	10.7325	6.3543	3.3803	4.7859
Fr. Cty/Africa (CFA Fr)	536.625	317.7175	169.0157	239.2976
Fr. Guiana (Local Fr)	10.7325	6.3543	3.3803	4.7859
Fr. Pacific Is (CFP Fr)	194.00	114.8608	61.1023	86.5105
Gabon (CFA Fr)	536.625	317.7175	169.0157	239.2976
Gambia (Dalasi)	10.7188	6.3462	3.3760	4.7798
Germany East (Ostmark)	3.1750	1.8798	1	1.4158
Germany West (D Mark)	3.1750	1.8798	1	1.4158
Ghana (Cedi)	443.566	262.6204	139.7058	197.7997
Gibraltar (Gib £)	1.00	0.5920	0.3149	0.4459
Greece (Drachma)	270.84	160.3552	85.3038	120.7759
Greenland (Danish Krone)	12.3475	7.3105	3.8889	5.5061
Grenada (E Carr $)	4.5576	2.6984	1.4354	2.0323
Guadaloupe (Local Fr)	10.7325	6.3543	3.3803	4.7859
Guam (US $)	1.6890	1	0.5319	0.7531
Guatemala (Quetzal)	4.6476	2.7516	1.4638	2.0725
Guinea (Fr)	506.40	299.8223	159.4960	225.8193
Guinea-Bissau (Peso)	1097.20	649.6151	345.5748	489.2753
Guyana (Guyanese $)	50.685	30.0088	15.9637	22.6020
Haiti (Gourde)	8.4400	4.9970	2.6582	3.7636
Honduras (Lempira)	3.3740	1.9976	1.0626	1.5045
Hong Kong (HK $)	13.1225	7.7711	4.1340	5.8530
Hungary (Forint)	102.3602	60.6040	32.2394	45.6455
Iceland (Icelandic Krona)	89.65	53.0787	28.2362	39.9777
India (Indian Rupee)	26.50	15.6897	8.3464	11.8171
Indonesia (Rupiah)	2978.70	1763.5879	938.1732	1328.2943
Iran (Rial)	121.25	71.7880	38.1889	54.0691
Iraq (Iraqi Dinar)	0.5305	0.3140	0.1670	0.2365
Irish Rep (Punt)	1.1880	0.7033	0.3741	0.5297
Israel (Shekel)	3.0800	1.8235	0.9700	1.3734
Italy (Lira)	2324.0	1375.9621	731.9685	1036.3433
Ivory Coast (CFA Fr)	536.625	317.7175	169.0157	239.2976
Jamaica (Jamaican $)	9.1570	5.4215	2.8840	4.0833
Japan (Yen)	224.25	132.7708	70.6299	100
Jordan (Jordanian Dinar)	0.8967	0.5309	0.2824	0.3998
Kampuchea (Riel)	168.90	100	53.1968	75.3177
Kenya (Kenya Shilling)	32.85	19.4493	10.3464	14.6488
Kiribati (Australian $)	2.1243	1.2577	0.6690	0.9472
Korea North (Won)	1.6374	0.9694	0.5157	0.7301
Korea South (Won)	1122.05	664.3280	353.4015	500.3567
Kuwait (Kuwaiti Dinar)	0.4896	0.2898	0.1542	0.2183
Laos (New Kip)	725.84	429.7454	228.6110	323.6744
Lebanon (Lebanese £)	863.53	511.2670	271.9779	385.0746
Lesotho (Maluti)	4.3200	2.5577	1.3606	1.9264
Liberia (Liberian $)	1.6890	1	0.5319	0.7531
Libya (Libyan Dinar)	0.4996	0.2957	0.1573	0.2227
Liechenstein (Swiss Fr)	2.8250	1.6725	0.8897	1.2597
Luxembourg (Lux Fr)	66.40	39.3132	20.9133	29.6098
Macao (Pataca)	13.5644	8.0310	4.2722	6.0487
Madeira (Port Escudo)	262.80	155.5950	82.7716	117.1906
Malagasy Rep (MG Fr)	2457.80	1455.1805	774.1102	1096.0089
Malawi (Kwacha)	4.5120	2.6714	1.4211	2.0120
Malaysia (Ringgit)	4.5470	2.6921	1.4321	2.0276
Maldive Is (Rufiya)	14.7025	8.7048	4.6307	6.5562
Mali Rep (CFA Fr)	536.625	317.7175	169.0157	239.2976
Malta (Maltese £)	0.5814	0.3442	0.1831	0.2592
Martinique (Local Fr)	10.7325	6.3543	3.3803	4.7859
Mauritania (Ouguiya)	126.60	74.9555	39.8740	56.4548
Mauritius (Maur Rupee)	24.92	14.7542	7.8488	11.1125
Mexico (Mexican Peso)	4096.76a	2425.5535	1290.3181	1826.8717
	4030.10d	2386.0864	1269.3228	1797.1460
Miquelon (Local Fr)	10.7325	6.3543	3.3803	4.7859
Monaco (French Fr)	10.7325	6.3543	3.3803	4.7859
Mongolia (Tugrik)	5.6641	3.3535	1.7839	2.5257
Montserrat (E Carr $)	4.5576	2.6984	1.4354	2.0323
Morocco (Dirham)	14.0266	8.3046	4.4178	6.2548
Mozambique (Metical)	1196.83	708.6027	376.9543	533.7034
Namibia (S A Rand)	4.3200	2.5577	1.3606	1.9264
Nauru Is (Australian $)	2.1243	1.2577	0.6690	0.9472
Nepal (Nepalese Rupee)	40.5120	23.9857	12.7596	18.0655
Netherlands (Guilder)	3.5800	2.1195	1.1275	1.5964
N'nd Antilles (A/Guilder)	3.0215	1.7889	0.9516	1.3473
New Zealand (NZ $)	2.7395	1.6219	0.8628	1.2216
Nicaragua (Cordoba)	11134.20	6592.1847	3506.8346	4965.0836
Niger Rep (CFA Fr)	536.625	317.7175	169.0157	239.2976
Nigeria (Naira)	12.4912	7.3956	3.9342	5.5702
Norway (Nor. Krone)	11.5225	6.8220	3.6291	5.1382
Oman (Rial Omani)	0.6512	0.3855	0.2051	0.2903
Pakistan (Pak. Rupee)	33.70	19.9526	10.6141	15.0278
Panama (Balboa)	1.6890	1	0.5319	0.7531
Papua New Guinea (Kina)	1.4376	0.8511	0.4527	0.6410
Paraguay (Guarani)	-			
	1712.30a	1013.7951	539.3070	763.5674
Peru (Intl)	-			
	2766.68a	1638.0580	871.3952	1233.7480
Philippines (Peso)	35.00	20.7223	11.0236	15.6075
Pitcairn Is (£ Sterling)	1.00	0.5920	0.3149	0.4459
(NZ $)	2.7395	1.6219	0.8628	1.2216
Poland (Zloty)	1162.00	687.9810	365.9842	518.1716
Portugal (Escudo)	262.80	155.5950	82.7716	117.1906
Puerto Rico (US $)	1.6890	1	0.5319	0.7531
Qatar (Riyal)	6.1605	3.6474	1.9403	2.7471
Reunion Is. de la (F/Fr)	10.7325	6.3543	3.3803	4.7859
Romania (Leu)	14.781	8.7507	4.6551	6.5908
Rwanda (Fr)	134.18	79.4434	42.2614	59.8350
St Christopher (E Carr $)	4.5576	2.6984	1.4354	2.0323
St Helena (£)	1.00	0.5920	0.3149	0.4459
St Lucia (E Carr $)	4.5576	2.6984	1.4354	2.0323
St Pierre (French Fr)	10.7325	6.3543	3.3803	4.7859
St Vincent (E Carr $)	4.5576	2.6984	1.4354	2.0323
San Marino (Italian Lira)	2324.0	1375.9621	731.9685	1036.3433
Sao Tome (Dobra)	171.7265	101.6734	54.0870	76.5781
Saudi Arabia (Riyal)	6.3257	3.7452	1.9923	2.8208
Senegal (CFA Fr)	536.625	317.7175	169.0157	239.2976
Seychelles (Rupee)	9.25	5.4766	2.9133	4.1248
Sierra Leone (Leone)	106.4385	63.0186	33.5239	47.4642
Singapore ($)	3.2910	1.9484	1.0365	1.4675
Solomon Is ($)	3.7467	2.2182	1.1800	1.6707
Somali Rep (Shilling)	401.744	237.8590	126.5335	179.1500
South Africa (Rand)	4.3200c	2.5577	1.3606	1.9264
	7.0138g	4.1526	2.2090	3.1276
Spain (Peseta)	196.75	116.4890	61.9685	87.7369
Spanish Ports in N Africa (Sp Peseta)	196.75	116.4890	61.9685	87.7369
Sri Lanka (Rupee)	57.00	33.7477	17.9527	25.4180
Sudan Rep (£)	7.5960	4.4973	2.3924	3.3872
Surinam (Guilder)	3.0131	1.7839	0.9490	1.3436
Swaziland (Lilangeni)	4.3200	2.5577	1.3606	1.9264
Sweden (Krona)	10.7800	6.3824	3.3952	4.8071
Switzerland (Fr)	2.8250	1.6725	0.8897	1.2597
Syria (£)	35.4480	20.9875	11.1647	15.8073
Taiwan ($)	43.25	25.6068	13.6220	19.2865
Tanzania (Shilling)	230.10	136.2344	72.4724	102.6086
Thailand (Baht)	42.70	25.2812	13.4488	19.0412
Togo Rep (CFA Fr)	536.625	317.7175	169.0157	239.2976
Tonga Is (Pa Anga)	2.1243	1.2577	0.6690	0.9472
Trinidad/Tobago ($)	7.1740	4.2474	2.2595	3.1991
Tunisia (Dinar)	1.6083	0.9522	0.5065	0.7171
Turkey (Lira)	3510.00	2078.1527	1105.5118	1565.2173
Turks & Caicos (US $)	1.6890	1	0.5319	0.7531
Tuvalu (Australian $)	2.1243	1.2577	0.6690	0.9472
Uganda (New Shilling)	337.4953	199.8195	106.2977	150.4995
U A E (Dirham)	6.1954	3.6680	1.9513	2.7627
United Kingdom (£)	1.00	0.5920	0.3149	0.4459
United States (US $)	1.6890	1	0.5319	0.7531
Uruguay (Peso)	893.26	528.8691	281.3417	398.3322
USSR (Rouble)	1.0681	0.6323	0.3364	0.4762
Vanuatu (Vatu)	179.14	106.0627	56.4220	79.8840
Vatican (Lira)	2324.0	1375.9621	731.9685	1036.3433
Venezuela (Bolivar)	61.9800	36.6962	19.5212	27.6387
	-			
	-			
Vietnam (Dong)	7596.0	4497.3357	2392.4409	3387.2909
Virgin Is-British (US $)	1.6890	1	0.5319	0.7531
Virgin Is-US (US $)	1.6890	1	0.5319	0.7531
Western Samoa (Tala)	3.7200	2.2024	1.1716	1.6588
Yemen (Rial)	16.497	9.7675	5.1959	7.3565
Yemen PDR (Dinar)	0.5790	0.3428	0.1823	0.2581
Yugoslavia (Dinar)	16893.39	10002.0071	5320.7527	7533.2842
Zaire Rep (Zaire)	604.23	357.7442	190.3086	269.4448
Zambia (Kwacha)	17.1	10.1243	5.3858	7.6254
Zimbabwe ($)	3.4275	2.0293	1.0795	1.5284

Special Drawing Rights April 27, 1989 United Kingdom £0.766970 United States $1.29710 Germany West D Mark 2.43297 Japan Yen171.412 . European Currency Unit Rates April 28, 1989 United Kingdom £0.655725 United States $1.10719 Germany West D Mark 2.08041 Japan Yen147.002

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (u) parallel rate; (v) Selling rate; (t) Tourist rate; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Friday, April 28, 1989.

CONSTRUCTION

Rising concrete sales indicate active industry

By Andrew Taylor, Construction Correspondent

SALES OF ready-mixed concrete rose sharply in the first three months of this year as the construction boom has continued.

Ready-mixed concrete is sold for immediate consumption and provides one of the best guides of current construction activity.

According to the British Aggregate Construction Materials Industries (BACMI) sales of ready-mixed concrete rose by 16 per cent in the first quarter of this year compared with the first three months of 1988.

Sales of sand and gravel rose by 6 per cent during the first three months of this year while sales of crushed rock increased by 1 per cent.

Sales of aggregates since 1981 have risen faster than UK construction output generally. The disparity reflects: higher specifications for new roads; increased road maintenance and repairs which require larger volumes of aggregates; increased use of concrete blocks and bricks and greater use of poorer quality land which requires stronger foundations and large amounts of fill materials.

Figures for the first three months of this year, however, show a 7 per cent fall in sales of road surfacing materials compared with the first three months of 1988. BACMI said spending on roads had shown no improvement in real terms during the past 12 months.

The industry has strongly criticised the Government for imposing a moratorium on road repair contracts last summer which led to an estimated underspend of about £40m on the 1988/89 road repair budget of £177m.

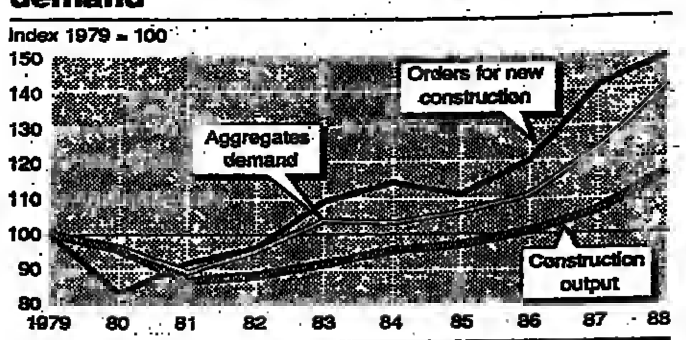
The Transport Department plans to spend £240m on motorway and trunk road repairs in the current financial year.

Total sales of aggregates, including road surfacing materials, reached a record 290m tonnes last year and is forecast to rise by at least a further 3 to 4 per cent this year.

The growing number of large scale projects like the Channel Tunnel; Canary Wharf, the big London docklands office development, and major water, road, and rail works should ensure that demand for aggregates remains high during the next few years.

No wonder that Tarmac expects the current revaluation of its 2.5bn tonnes of mineral reserves to at least double the current book value of £300m set just three years ago.

Construction activity and aggregates demand



Hunting Gate wins £45m

HUNTING GATE CONSTRUCTION has been awarded contracts totalling £44.55m, which includes a £20m design and manage contract for the 150,000sq. ft. international headquarters for ICI Films at Welwyn Garden City, Herts. Work has started for completion in early 1991.

Northside Developments has awarded a £4m design and manage contract for the redevelopment of the old market, a two-storey covered market hall and new open market at Camden Lock, London. The project includes 48,000 sq. ft. of new commercial space, shop and workshop units, studios and 15,000 sq. ft. of refurbished buildings. Work starts soon for completion in January 1991.

At Meadway Technical Park, Stevenage, a contract has been awarded by Manulife for a £1.8m, 36,000 sq. ft. unit which has been prelet to Wiltron Measurements. Work has started on the one year contract.

Ohmeda, BOC's medical gases division, has awarded a £3.3m design and build contract for a 37,000 sq. ft. office and a 10,000 sq. ft. warehouse on a site at Hatfield Station, Herts. A £0.95m office block will be built for Hunting Gate Developments on the same site. All three units will be completed within the year.

APV, Baker Hall division, has awarded a £1.7m contract for a 25,000 sq.ft. three-storey office block next to its factory at Dartford, Kent. Work has started on the 49-week contract. On Grayfield's Industrial Park, Orpington, Kent, two hi-tech two-storey units with a total of 20,000 sq.ft. are under way in a 33-week £1.3m design and build contract for William Nash.

Two contracts are in progress at St. Albans. A four-level £2.5m multi-storey car park is being built in Russell Street for the St. Albans City Council. On the site of a Victorian prison in Grimston Road, a £4.4m, five-storey headquarters office is being built for Hunting Gate Developments for tenants Irish Life Assurance. The second phase, for £4.6m, is for two further office blocks to be constructed alongside Irish Life. An interesting aspect of this contract is the refurbishment of the old gatehouse whose doors were used in the opening Slade Prison sequence for the BBC-TV "Porridge" series starring Ronnie Barker.

John Laing builds offices

Contracts worth over £3.7m for office developments in Leeds, Sheffield and Hull have been won by JOHN LAING CONSTRUCTION. The work includes the first phase of the Carbrook Business Park in Sheffield where Glenlivet Properties has awarded a contract for four two-storey office buildings. In Leeds, Laing has been selected by the Burton Property Trust to build a six-storey block with basement car parking at 19-20 Park Row. All but the facade of an existing building will be demolished and replaced. A two-storey office block is to be constructed in Salt End Lane, Salt End, Hull, for BP Chemicals. The new offices will be linked to two existing buildings.

Shopping in Barnstaple

SIR ROBERT McALPINE & SONS has been awarded a £15m contract by Guardian Royal Exchange for the construction of Green Lanes shopping development in Barnstaple, Devon.

On a 1.5 ha site bounded by Boutport Street, Joy Street and High Street, the project comprises a shopping centre with a floor area of 35 000 square metres and a four-storey car park for 476 vehicles.

The shopping centre, providing 11 000 square metres of retail space, will be of reinforced concrete frame construction under a steelwork roof with waffle slabs.

Elevations will be brick clad. The contract includes the installation of eight lifts.

IN BRIEF...

TURRIFF CONSTRUCTION, Warwick, has been awarded contracts worth £25m. Some of the largest are: a £3m contract from Telford Corporation for four steel-framed factory units with fully-furnished and serviced offices, and roads; at Hinckley, Retirement Security has negotiated a sheltered housing contract for £1.95m for a residential block to house 50 elderly people; in the north-west, the company has a £2.4m contract with United Co-Operatives for the Phase 2 building of a retail superstore at Talbot Road, Blackpool, including an adjoining warehouse.

★★★

DOUGLAS CONSTRUCTION has won contracts totalling more than £20m during the last month. The Home Office has awarded a £5m contract for the construction of a four-storey decanting cell block at Winson Green Prison, Birmingham, with accommodation for 171 inmates, plus plantrooms at roof and basement levels. The other major contract is a £5m award by Granada Motorway Services for construction of a single-storey service/catering building and a four-storey, 59-bedroom hotel on the M42 motorway near Tamworth, Staffordshire.

★★★

Colchester Borough Council is one of the first local authorities to enter into a public sector/private sector partnership for a new leisure centre. It has awarded the contract for its £12.5m complex to S. & P. CROSSLAND DESIGN AND MANAGEMENT.

★★★

PRESS CONSTRUCTION has landed one of its biggest recent contracts for shutdown maintenance - an award worth nearly £1m from BP Chemicals for a variety of mechanical and electrical work at the Baglan Bay Works during the mid-April to mid-June shutdown period. About 250 tradespeople will be employed, the majority welders, fitters and riggers.

★★★

STONEWEST COX, part of the Mowlem Group, has been awarded a £1.3m contract for work at British Rail's Liverpool Street station redevelopment. The scheme comprises demolition of an 1876 building and reconstruction of a 4-storey block above a London Transport Underground station booking hall. The new stone and stock brickwork building will be a replica of part of the original Victorian Gothic structure. It will house a restaurant on the ground floor and offices above.

CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Joining the EMS has its attractions

STERLING BECOMING a full member of the European Monetary System this year may not be as silly an idea as it seemed only a short while ago.

According to Mr Mark Cliffe, economist at Nomura Research Institute, it would bolster sterling's defences considerably. As Mr Cliffe points out Mrs Thatcher has not said she is permanently opposed to joining the full exchange rate mechanism, but has always claimed "the time is not yet ripe".

To use a seasonal analogy, the Prime Minister may find that if the decision to join is delayed beyond the autumn the fruit will have ripened to the extent that it has fallen off the tree. European leaders are expected to approve the first phase of monetary union at their Madrid summit in June.

The UK Government has attacked the Delors Committee report outlining moves towards full monetary union of the Economic Community, but Britain faces the risk of being left out in the cold if it does not make some move towards compromise on this subject.

The Delors Committee has set out three stages in the movement towards eventual monetary union, Mr Cliffe says that sterling's participation is an important part of the first stage. He also believes that by stressing "the decision to enter upon the first stage should be a decision to embark on the entire process" there is an implied threat of the UK being left behind in discussions about further monetary integration if it fails to join the mechanism.

Mr Nick Parsons, economist at Union Discount, suggests tha compromise allowing Britain to become part of the mechanism could involve changes to the common agricultural policy, which would be promoted in the UK as a triumph for Government policy, while the complications of the EMS could be hidden away as an after thought.

Mr Parsons also believes there is a growing possibility of the UK becoming a full member of the EMS, and points out that it need not remove the ability of tha authorities to depreciate sterling in future months.

He points out that the Italian lira is allowed a 6 per ceot divergence movement from its ceotral rate, and suggests the pound may be given a similar limit. Other members are only allowed to move within 2¼ per cent of their central rate, and whether the UK Government would wish sterling to have a wider allowed movement, and perhaps be regarded as a second class member, may be open to doubt.

If the pound does go in with a 6 per cent allowed movement, it produces quite an *attractive scenario however*, because it means that sterling could still fall to nearly DM3.00 without going outside its limit.

Mr Parsons suggests that a realignment of the EMS once a year may be considered acceptable. Therefore it is reasonable to look at the differential between twelve-month sterling and D-Mark interest rates, and then compare this with the 12-month forward rate for tha pound against the West German currency.

The interest rate on twelve-month sterling is 12$\frac{15}{16}$ per cent and on twelve-month D-Marks is 6¾ per cent, giving a differential in favour of the pound of 6$\frac{3}{16}$ per cent. The spot rate for sterling against the D-Mark is DM3.1750, and the 12-month premium is 16.75 pfennigs. This gives a 12-month forward rate of DM3.0075, and effectively means that even a fall to around DM3.00 is fully compensated by the interest rate differential. On this basis the pound could join the EMS mechanism and the Government could allow sterling to depreciatewithout being forced to raise interest rates.

Colin Millham

£ IN NEW YORK

Apr.28	Close	Previous Close
£ Spot	1.6865-1.6875	1.6900-1.6910
1 month	0.43-0.42pm	0.42-0.39pm
3 months	1.25-1.22pm	1.25-1.21pm
12 months	4.10-4.00pm	4.05-4.01pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

Apr.28	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.766970	0.655725
U.S Dollar	7	1.29710	1.10719
Canadian $	12.39	1.54744	1.31413
Austrian Sch.	5	17.1087	14.6459
Belgian Franc	7.25	50.9436	43.5403
Danish Krone	7½	9.46170	8.09578
Deutsche Mark	4.50	2.43297	2.08041

CURRENCY MOVEMENTS

Apr.28	Bank of England Index	Morgan** Guaranty Changes %
Sterling	95.1	-16.4
U.S Dollar	68.5	-9.8
Canadian Dollar	103.3	-0.6
Austrian Schilling	106.7	+9.9
Belgian Franc	105.9	-6.1
Danish Krone	103.0	-1.8
Deutsche Mark	112.7	+20.6
Swiss Franc	103.6	+13.3

OTHER CURRENCIES

Apr.28	£	$
Argentina	129.70 - 129.90	76.9000 - 77.0000
Australia	2.1230 - 2.1255	1.2585 - 1.2595
Brazil	1.7205 - 1.7295	1.0200 - 1.0250
Finland	7.0715 - 7.0925	4.1990 - 4.2005
Greece	268.60 - 273.10	158.65 - 161.20
Hong Kong	13.1190 - 13.1320	7.7780 - 7.7800
Iran	121.25*	70.30*
Korea(Sth)	1122.55 - 1131.55	663.50 - 668.90
Kuwait	0.48910 - 0.49010	0.29000 - 0.29050

*Selling rate

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

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Latest prices were unavailable for this edition.

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

F Fr.	0.932	1.574	2.959	209.0	10.	2.633	3.336	2166	1.869	61.88
S Fr.	0.354	0.598	1.124	79.40	3.798	[illegible]	1.267	822.7	0.710	23.50
C $	0.499	0.842	1.584	111.9	5.352	1.409	1.786	1159	1	33.12
B Fr.	1.506	2.544	4.782	337.8	16.16	4.255	5.392	3500	3.020	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

MONEY MARKETS

Pressure fades for UK base rate rise

INTEREST RATES showed no regular pattern in Europe last week. Sterling rates fell at the end of the week, with the key three-month interbank rate finishing below the current 13 per cent base rate. Pressure for higher base rates evaporated with news that the UK current account deficit in March was £1.2bn, against market estimates of £1.5bn. This was complimented by other economic news, pointing to a slowdown in the economy.

Mr Nigel Richardson, economist at S.G. Warburg Securities, said that the trade figures were not as good as first suggested. The deficit was reduced by erratic items and a favourable shift in the oil accouot, but that other economic factors, including a fall in M0 mooey supply growth were favourable. He still believes bank base rates eventually will be forced up to 14 per ceot, influenced by pressure on inflation from rising wage costs.

The Bank of France did not follow the recent rate increase of the West German Bundesbank, when setting its key money market intervention rate last Thursday. The rate was left at 8.25 per cent and the ability of France to hold rates down was reinforced by Friday's news of a cut in the March French trade deficit.

UK clearing bank base lending rate
13 per cent
from November 25

On the other hand the Swedish Central Bank acted to cool overheating in the domestic economy by raising its discount rate 1 per cent to 9.5 per cent. The Government also unveiled a revised Budget of higher indirect taxes.

The Irish Central Bank raised the rate on loans to commercial banks, by 1 per cent to 9 per cent, while Swiss deposit rates moved higher.

MONEY RATES

LONDON MONEY RATES

FT LONDON INTERBANK FIXING

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON RECENT ISSUES

EQUITIES

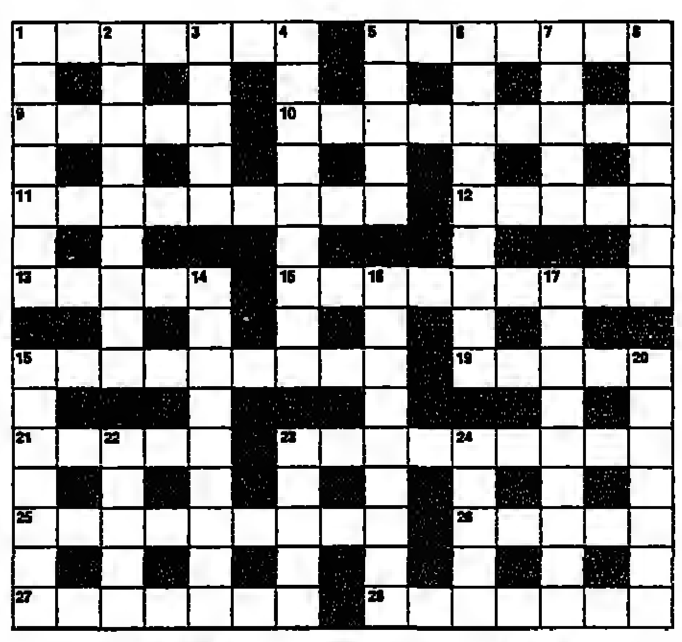
FIXED INTEREST STOCKS

RIGHTS OFFERS

JOTTER PAD

CROSSWORD

No.6,923 Set by QUARK



ACROSS

1 and 5 Prevented a run at 9 rather than 12 (7,3,4)
9 House games played here? (5)
10 There's one of these at 9 set after turning for single (9)
11 Bumpy ride cut on launch (9)
12 Salty course? (5)
13 Land without power, seen at 9 (5)
15 and 18 Charles's novel indoor game? (7,2,3,6)
19 Take the car seen at 9 (5)
21 and 23 Over and over again continuously seen at 9 (5,2,7)
25 One drawing stumps about 5 – one of religious persuasion (9)
26 Duck – game getting upset ending (5)
27 Keeping the cap off disturbed the English on the surface (7)
28 Barker's slow movement? (3-4)

DOWN

1 Shooting without violence (7)
2 I contribute to writing or I recite badly (9)
3 Party some find is costly (5)
4 Accuser puts name to church in revolutionary uprising (9)
5 The swallows about just short of the boundary (5)
6 Condition of horse, weakened – leaving one to work with extremes of care (3-6)
7 A girl's fault (5)
8 No 11 may not get in at 9 (4,5)
14 Look at what could be seen at 9 (just a quick look) (3-6)
16 One with reserve would be guarded (9)
17 Learner 'it in rear, confused – affected by a few lines? (9)
18 Game at 9 devoured with a will (7)
20 English airmen with little time to join (7)
22 Poem's ending, a contribution to what's written, voiced etc. (5)
23 Lady not entirely musical (5)
24 7's incorrect (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 13.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1800)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	48 7a	49 30	52 44	6.23	40000
Gilts & Fixed Int	6	112.3	112.3d	119.1	8.38	40001
High Inc Equity	6	132.5	135 5d	144 1	4 41	40002
Worldwide Bond	6	159 0	189 0d	200 3	4 84	40003
Capital Growth						
American Growth	6	167 1	169.1	179.8	1 38	40004
Asian Pacific	6	93 23	95 23	101.3	.69	40005
Assets & Earnings	6	159 1	163 1	173.5	1.50	40006
Capital Reserve Acc	0	84 25	84 25	84.30	4 74	40007
Comdty & Energy	6	96.57	99 55d	105 90	.99	40008
1992 Enterprise	6	56 44	57 49	61 15	2 94	40597
European Capital	6	82 71	83 24	88 55	.85	40009
General	6	175 3	178.5	189 8	2.37	40010
Japan	6	108 2	109 9	116 9	0 00	40011
Mastertrust	6	82 77	82.77	88 53	1.62	40012
UK Growth Acc	6	198 40	206 8	219 40	1 02	40013
UK Growth Dist	6	132.3	137 9d	146 7	1 53	40014
US Emerging Cos	6	49.92	51 55	54 84	0 00	40015
Income & Growth	6	291 00	298 2	317.2	3 23	40016
Ethical	6	48 57	49 74	52 91	2.36	40017
Abtrust Management Ltd (1800)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	28 03	28 03d	29 92	4 09	40019
European	5¼	58 94	59 01	62 99	0 00	40025
European Income	5¼	58.01	58 01	61 93	1 27	41377
Exempt	1	797 2	797.2d	832.0	3 32	41376
Extra Income	5	43 04	43 04d	45 95	4 25	40021
F Ear Emerg Econ	5¼	39 65	39 94	42 77	0 00	41380
Fund Inv Tst	5	118 5	118 5d	126.5	1 85	40100

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sh Dtd Gilt & FI	1¼	52 71	52 73d	53.51	2.95	40216
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green W12 8SQ 01-740 7070						
UK General Tst	5½	53.97	54 83	58 64	2.70	40217
Global Tst	5½	42.39	42.53	45.49	2.30	40218
Recovery Tst	5½	55.18	57.65d	61.33	1 92	40219
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth F4 Acc	5	107 3	100 7	114 7	3 63	40220
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	55.01	55 01d	58.52	0.56	40221
CS International	5	53 83	53 83d	57 26	1 98	40222
CS Japan	5	123 0	123 0	130 8	0.33	40223
CS Portfolio Inc ♦	5	70 08	70 00	74 55	1 70	40224
Canada Life Unit Tst Mgrs Ltd (1200)F						
2-6 High St, Potters Bar, Herts 0707 51122						
Can Gen Dist	5	138.7	143 9	151.4	3 06	40225
Do Gen Accum	5	231 3	240 0	252 6	3 06	40226
Do Income Dist	5	93 77	97.64d	102 8	5 48	40227
Do Inc Accum	5	214 8	223 7	235.5	5 48	40228
Gilt & Fxd Inc	5	36 71	38 79	38 73	8 29	40229
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing: 0800 282621						
Growth	5¾	38.04	38.61	41 08	2.49	40230
Income	5¾	47 66	48.33	51 42	4 85	40231
Far East ♦	5¾	35 76	36 42d	38 74	0 16	40232
North America ♦	5¾	31 74	32.35d	34 41	0 60	40233
Global ♦	5¾	50.15	51 03d	54 29	1 81	40234
European	5¾	50 13	50 92d	54.17	0.99	40235
Japan ♦	5¾	101 2	100 8	109 4	0 00	40236
Intl Currency Bd	5¾	41.92	41.92d	44.46	6.75	40237
Strategic Opps.	5¾	54.61	56.33	59.93	1.25	46257
Capability Trust Mngrs Ltd (1200)F						
Admin, 5 Rayleigh Road, Hutton, Brentwood, Essex						

Elcon Ltd (1600)F

Equitable Units Admin Ltd (1600)F

Equity & Law Unit Tst Mngrs (1200)H

Exeter Fund Managers Ltd (1200)H

FMS Investment Mngmt Ltd (0905)F

FS Investment Managers Ltd (1200)H

Provident Mutual Unit Tst Mgrs Ltd (0905)H

25-31 Moorgate, London, EC2R 6BA 01-588 3963

Prudential Holborn Unit Tsts Ltd (1445)H

51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

Holborn UnitLine 0800 010345

Two Hourly Pricing

Smith & Williamson Unit Tst Mgrs (1000)F

1 Riding House St, London W1A 3AS 01-637 5377

Sovereign Unit Tst Mngrs Ltd (1000)F

12 Christchurch Rd, Bournemouth 0202 298422

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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FT UNIT TRUST INFORMATION SERVICE

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Windsor Trust Mngrs Ltd (1200)F
83 Kingsway, London WC2B 6SD 01-4058331

Unit Name	Init. Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Combi & Equity	5	64.73	67.22	71.50	6.72	40399
European	5	65.41	65.65	67.71	0.14	[illegible]
Far Eastern	5	60.17	60.17	63.96	0.85	40304
Growth Inc	5	89.78	93.13	99.05	1.40	40400
Growth Acc	5	89.78	93.13	99.05	1.40	—
Income Inc	5	83.24	84.96	90.38	3.45	40401
Income Acc	5	83.24	84.96	90.38	3.45	—
Property Share	5	54.64	[illegible]	[illegible]	1.00	40402
Smaller Co's	5	58.98	62.26	66.22	1.48	40403
Formerly RBC Trust Managers Ltd						
Nth American	5	56.32	56.56	60.26	1.77	40209
International	5	45.32	45.32	48.46	1.48	40210

Wright Seligman Fund Mngrs Ltd (1000)H
11 Blomfield St, London EC2M 7AY 01-588 0592

Unit Name	Init. Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Growth	5	98.49	98.49	105.49	9.92	40404

Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngrs Ltd (1100)F
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Unit Name	Init. Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Yorkshire General	5	62.57	64.95	69.10	2.80	40405
WTB UK Smaller Cos	5	60.47	62.53	66.52	4.61	40406
YUTM Intl Growth Inc	5	47.94	47.94	51.18	1.07	40195

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	Yield Gross	City-line
Baillie Gifford & Co Ltd				
Int'l Expt April 19	451.9	470.5†	—	40105
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Mar 31		490.00	4.76	40251
Fxd Int Sec Mar 31		142.20	10.06	40252
Deposit Mar 31		100.00	12.56	40253
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Mar 31		472.94	5.05	40258
Accum Mar 31		1541.14	—	40259
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American Apr 26	129.4	135.0	1.70	40368
Managed Apr 26	125.7	131.4	2.19	40369
Japan Apr 27	137.7	141.5	0.14	40370
Pacific Apr 28	444.5	456.7	0.21	40371
Sm Jap Cos Apr 28	250.9	266.0	0.10	40372
Fidelity Investment Services Ltd				
Mngd Pens P'folio	119.7	122.8	1.54	—
Robert Fleming Asset Mngmt Ltd				
Am Exempt Apr 25	£367.14	372.44	1.28	40456
Gen Exempt Apr 25	£121.17	123.64	3.87	40457
Jap Exempt Apr 25	£640.42	653.18	0.50	40458
Indexed Exempt Apr 27	£111.15	113.95	3.99	—
O'seas Indxd Expt Apr 27	£103.36	105.69	1.99	—
Foreign & Colonial Pens Mngt Ltd				
Exempt Funds				
Anglo-Nippon	1808.6	1901.2	—	40417
European Inc	94.1	99.2	—	40418
European Acc	98.6	104.0	—	40419
Managed Exempt	134.6	139.8	—	40420
North American	460.4	477.8	—	40421
South East Asia	278.1	293.0	—	40422
Funds in Court*				
Capital Mar 17	441.0	442.1xd	2.31	40505
Gross Mar 17	202.6	205.4	6.43	40506
High Yield Mar 17	290.2	290.8	5.32	40507
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	48.46	50.75xd	3.04	40676
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Apr 24	4397.8	4628.5	2.0	40766
European Apr 24	415.0	425.3	1.8	40776
American Apr 24	309.2	312.3	2.2	40773
Far Eastern Apr 24	672.7	685.7	0.8	40774
Australian Apr 24	132.6	135.7	3.3	40775
Kellogs Apr 13	219.6	230.8	0.8	40767
Northumbria Apr 12	195.6	207.7	1.4	40768
North West Apr 12	257.6	279.1	0.7	40769
East Coast Apr 14	92.3	97.5	1.2	40770
W Midlands Mar 31	207.7	224.2	1.5	40771
Ind Lab Mkt Mar 28	136.3	140.7	3.8	40776
Property Apr 6	5140.0	5500.0	4.8	40777
Inc Gth Pro Oct 1	1420.0	1480.0	6.8	40778
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Property Mar 31		229.30	5.74	40825
Equity Mar 31		783.40	4.10	40826
Fxd Int Sec Mar 31		98.00	10.64	40827
* Available only to Local Authorities				
MIM Ltd				
Exempt Funds				
Intl Mngd P'Folio	1136.0	1223.0	—	—
Mngd Pens (Acc)	62.8	66.9	0.80	41007
Morgan Grenfell Inv Mngmt Ltd				
Exempt Funds				
UK Equity Apr 25	£117.21	120.80	3.06	—
UK Small Co Apr 25	£652.68	685.46	1.75	—
Fixed Interest Apr 25	£101.98	102.61	8.66	—
US Small Co Apr 25	117.31	121.81	0.18	—
Managed Apr 25	100.18	105.30	—	—
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Apr 26	42.8	44.5	2.24	41064
Euro Expt Apr 26	48.3	50.7	2.76	41065
Fixed Int Ex Apr 26	48.2	50.5	9.36	—
Japan Expt Apr 26	40.1	42.5	0.5	41066
Managed Ex Apr 27	42.4	44.3	4.05	41067
SE Asia Expt Apr 26	46.8	49.1	2.04	41068
Sm Cos Expt Apr 26	47.8	50.1	2.62	41069
UK Eqty Ex Apr 26	39.8	41.7	3.85	41070
New Court Property Fund Managers				
NC Property	205.7	224.3xd	—	41205
Phillips & Drew Fund Management Ltd				
PDFM Small Co's Apr 4	876.0	925.0	4.25	41138
Do Accum	920.0	970.0	4.25	41139
PDFM Int Expt Apr 27	143.2	145.5	2.5	41140
PDFM UK Index	1035.0	1061.0	4.22	—
Do Accum	1035.0	1061.0	4.22	—
PDFM Local Auth	—	—	—	—
PDFM Bond Expt	—	—	—	—
PDFM Ind Ltd Expt	—	—	—	—
PDFM Convertible	98.4	99.9	6.7	—
J. Rothschild Fund Managers Ltd				
Intl Exempt	115.7	117.5xd	2.70	40172

INSURANCES

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	Yield Gross	City-line
Fixed Int. Dep. Acc	258.4	272.0	—	41723
Equity Acc	833.7	877.6	—	41724
Property Acc	490.3	516.0	—	41725
Far East Acc	198.0	208.4	—	41726
European Acc	21.7	22.9	—	41727
Managed Acc	656.0	690.0	—	41728
Managed Cap	374.3	394.0	—	41729
O'seas Earnings Acc	565.3	594.6	—	41730
Gilt Edged Acc	312.6	329.1	—	41731
American Equity Acc	425.5	447.9	—	41732
American Man Acc	147.9	155.7	—	41733
American Prop Acc	139.6	147.0	—	41734
Pen.F.I.Dep.Cap	284.4	299.5	—	41735
Pen.F.I.Dep.Acc	485.3	510.8	—	41736
Pen. Prop. Cap	571.7	601.8	—	41737
Pen. Prop. Acc	1076.6	1133.3	—	41738
Pen. Man. Cap	808.1	850.7	—	41739
Pen. Man. Acc	1521.2	1601.3	—	41740
Pen.Gilt Edg.Cap	316.8	333.4	—	41741
Pen. Gilt Edg. Acc	484.2	509.7	—	41742
Pen. Eq. Cap	1326.2	1396.1	—	41743
Pen. Eq. Acc	1892.3	1991.9	—	41744
Pen. Acc. Eq.Cap	137.5	144.6	—	41745
Pen. Am. Eq Acc	165.1	173.8	—	41746
Pen. Far East Cap	257.9	250.5	—	41747
Pen. Far East Acc	296.2	311.3	—	41748
Pen. Euro Cap	24.7	26.0	—	41749
Pen. Euro. Acc	26.6	28.1	—	41750
Pen. B.S. Acc	330.5	357.1	—	41751
Pen. B.S. Cap	314.8	335.6	—	41752
Pen. D.A.F. Acc	372.0	372.0	—	41753
Pen. D.A.F. Cap	251.7	251.7	—	41754
Pen. Mortgage Cap	143.1	150.7	—	41755
Pen. Mortgage Acc	172.1	181.2	—	41756
Barlng Funds				
Pen Eqy Cap	27.8	29.3	—	46176
Pen Eqy Acc	28.7	30.3	—	46177
Pen Am Eq Cap	30.2	31.8	—	46178
Pen Am Eq Acc	31.3	33.0	—	46179
Pen Far East Cap	30.2	31.8	—	46180
Pen Far East Acc	31.2	32.9	—	46181
Pen Euro Cap	32.8	34.6	—	46182
Pen Euro Acc	34.1	35.9	—	46183

Continued on next page

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Premium Life Assurance Co Ltd

37-39 Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	Yield Gross	City-line
American	124 0	130 0	–	43285
Building Soc Fd	270 0	279 0	–	43286
Balanced	290 0	295.0	–	43287
European	162.0	171 0	–	43289
GT Managed	168 0	177 0	–	43290
Gartmore Mngd	115 0	122 0	–	43291
German	112 0	118 0	–	43292
Gilt	177 0	187 0	–	43293
Global	48 0	51 0	–	–
High Inc	116 0	123 0	–	43294
International Equity	186 0	195 0	–	43295
Japan	239 0	252 0	–	43296
Managed	64 0	68 0	–	43297
Property	276 0	291 0	–	43298
R W Imperial Gold	139 0	147 0	–	43299
UK Equity	378 0	398 0	–	43300
Pension Funds				
American	144 0	152 0	–	43301
Building Soc. Fd.	169 0	178.0	–	43302
Balanced	214 0	226 0	–	43303
European	100 0	106 0	–	43305
German	102 0	108.0	–	43308
Gilt	148 0	156 0	–	43309
International Equity	138 0	146 0	–	43310
Japan	155 0	163 0	–	43311
Managed	64 0	68 0	–	43312
Property	213 0	225 0	–	43313
UK Equity	338 0	356 0	–	43314

Prolific Life & Pensions Ltd

Stramongate, Kendall Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Balanced Gwth Mngd	581 7	615 0	–	43315
Adventurous Mngd	122 6	129.2	–	46402
Secure Mngd	107 3	113 0	–	46403
Cash Fd	230 9	243 3	–	43316
Property Fund	292 5	300 6	–	43317
Equity Fund	645 7	687 0	–	43318
Fxd Int Fund	295 4	311.3	–	43319
International	291 4	310 0	–	43320
High Income	372 7	502 4	–	41321
Far East	432 1	452 4	–	43322
North American	256 8	270 7	–	41323

Prudential Pensions Limited

Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	Yield Gross	City-line
Discretionary Apr 26	£149 13	154 27	–	43539
Equity Apr 26	£163 26	169.150	–	43540
International Apr 26	£24 43	25 13	–	43541
Intl Bond Apr 26	£11.46	11 61	–	43542
Fixed Int Apr 26	£71 26	72.31	–	43543
Index Linked Acc 26	£59.76	60.51	–	43544
Property Apr 26	£107 38	113 86	–	43545
Cash Apr 12	£20.5515	20.5515	–	41546
Pru-Linked Retirement Plan				
Managed Apr 26	369 0	384 4	–	43547
Cash Apr 26	193.3	201 4	–	43548
Prudential Pensions Investment Account				
Pens Mngd Apr 27	153 8	161 9	–	43549
Pens UK Eq Apr 27	301 5	317 4	–	43550
Pens Intl Apr 27	175 9	185 2	–	43551
Pens Fixed Apr 27	164 3	173 0	–	41552
Pens Index Lk Apr 27	151.9	159 9	–	43553
Pens Cash Apr 27	126.2	132 9	–	43554

Regency Life Assurance Co Ltd

Regency Hse Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	Yield Gross	City-line
Apprentice Ptflio Fd	118 0	124 2	–	43555
Balanced Ptflio Fd.	310.6	326 9	–	43556
Cautious Ptflio Fd	121 1	127 4	–	43557
Eire Fund	107 2	112 8	–	43558
European Fund	80 9	85 1	–	43559
Far East Fund	111 7	117 5	–	43560
Fixed Interest Fund	242 1	254 8	–	43561
International Fund	257.1	270 6	–	43562
Money Fund	174.9	184 1	–	43563
N. American Fd	113 7	119 6	–	43564
Property Fund	415.3	437 1	–	43565
UK Equity Fd	382.2	402.3	–	43566
A I M Brewin Dolphin Fd	92.8	97 7	–	43567
Swiss Select Inv	110 8	116 6	–	43568
Chart Safety First Bd	108.3	114 0	–	43569
Exec Master Fd	92 0	96 8	–	43571
Hardwick Growth Fd	109 0	114 7	–	43572
Bentley Haig LR Port	97 1	102 2	–	43573
Milbourne Spec Port	110.2	116.0	–	43574
Swiss Global Fd.	109 1	114 8	–	46130
Hardwick Tst Fd	72 0	75 8	–	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

JERSEY (**)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	"Shorts" (Lives up to Five Years)					
500	Treas 3pc 1989	99½xd	—	10.4	15Nov 15May	1327
1,400	Treas 10½pc 1989	99¾	12.28	7.11	14Dec 14Jun	1287
2,400	Exch. 10pc 1989	99	12.32	28.12	1Feb 1Aug	1250
2,000	Exch 11pc 1989	99	12.28	20.2	29 Mar 29 Sep	1256
601	Treas 5pc 1986–89	97½	11.30	9.3	15 Apr 15 Oct	1329
174	Exch 10¼pc Cv '89	99¼xd	11.07	10.4	15May 15Nov	1255
1,000	Treas 13pc 1990‡‡	100	11.93	9.12	15 Jul 15 Jan	1300
1,400	Exch 11pc 1990‡‡	99	11.89	6.1	12 Aug 12 Feb	1257
1,250	Exch. 12½pc 1990	100	12.00	13.2	22 Sep 22 Mar	1262
550	Treas. 3pc 1990	93½xd	9.91	3.4	8 Nov 8 May	1325
600	Treas 8¼pc 1987–90‡‡	96¾	11.91	8.11	15 Dec 15 Jun	1340
955	Treas. 8pc Cv 1990 ‡‡	97	10.98	12.12	16Jul 16Jan	4680
1,887	Treas. 10pc Cv 1990	97⅝	11.73	20.3	25 Apr 25 Oct	1285
500	Exch 2½pc 1990	89¾xd	9.65	17.4	22 May 22 Nov	1270
2,200	Treas 11¾pc 1991	100	11.54	5.12	10 Jul 10 Jan	1292
400	Funding 5¾pc '87–91‡‡	91	10.67	1.3	5Oct 5Apr	1275
400	Treas. 3pc 1991	88xd	9.58	6.4	13 Nov 13 May	1326
646	Treas 10pc Cv '91 ‡‡	97	11.12	6.12	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	99	11.36	20.3	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	92	11.34	3.11	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	105	11.02	16.12	22Jul 22Jan	1297
1,600	Treas 10pc 1992	97	11.08	16.1	21Aug 21Feb	1283
1,400	Treas. 8pc 1992 ‡‡	92	11.05	7.3	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	98xd	10.98	31.3	7 Nov 7 May	1289
500	Treas. 3pc 1992	83⅝	9.14	4.11	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	103	11.03	19.1	25 Feb 25 Aug	1265
1,757	Exch 13½pc 1992	107	11.95	13.2	22Mar 22Sep	1266
950	Treas 8¼pc 1993	92¼	10.80	17.1	18Aug 18Feb	—
1,850	Treas 10pc 1993‡‡	97	10.65	9.3	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	105⅝	10.75	8.12	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	85	10.17	6.2	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	110¾xd	10.70	17.4	23May 23Nov	1304
1,050	Treas. 8½pc 1994	91	10.71	28.12	3Aug 3Feb	—
600	Treas 14½pc 1994‡‡	114⅝	10.51	23.1	1 Sep 1 Mar	1307
1,100	Exch 13½pc 1994	110⅝	10.70	21.3	27Oct 27Apr	1267
	Five to Fifteen Years					
1,400	Treas. 10pc Ln 1994‡‡	97	10.55	2.11	9 Dec 9 Jun	1284
1,550	Exch. 12½pc 1994	107	10.68	16.1	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	94½xd	10.47	10.4	17May 17Nov	1345
2,350	Treas 12pc 1995	105¼	10.64	19.12	25Jul 25Jan	1294
229	Exch 3pc Gas 90–95	75¼xd	8.38	28.3	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	98	10.52	15.12	21Jan 21Jul	1254
1,000	Treas 12¾pc 1995‡‡	110xd	10.51	10.4	15May 15Nov	1298
900	Treas. 14pc '96	115⅞	10.64	16.12	22Jul 22Jan	1305
750	Treas. 9pc 1992–96‡‡	94	10.09	6.2	15Sep 15Mar	1344
1,350	Treas 15¼pc 1996‡‡	122¾xd	10.55	28.3	3Nov 3May	1309
800	Exch 13¼pc 1996‡‡	113½xd	10.50	10.4	15Nov 15May	1268
1,109	Conversion 10pc 1996	98¼xd	10.35	10.4	15May 15Nov	1240
1,500	Treas 13¼pc 1997‡‡	114	10.45	16.12	22Jul 22Jan	1302
3,100	Exch 10½pc 1997	100¾	10.36	16.1	21Aug 21Feb	1253
3,750	Treas 8¾pc 1997‡‡	92	10.14	23.1	1 Mar 1 Sep	1341
1,000	Exch 15pc 1997	124⅝	10.57	21.3	27Apr 27Oct	1269
2,850	Exch. 9¾pc 1998	97	10.22	13.12	19 Jul 19 Jan	1273
1,000	Treas 6¾pc 1995–98‡‡	81¾xd	9.82	28.3	1 Nov 1 May	1331
1,100	Treas. 15½pc '98‡‡	130	10.39	21.2	30Mar 30Sep	1308
2,500	Exch. 12pc 1998	110xd	10.31	13.4	20May 20Nov	1259
1,250	Treas 9½pc 1999‡‡	97	9.95	9.12	15Jul 15Jan	1347
2,900	Exch. 12¼pc 1999	111⅝	10.30	17.2	26Sep 26Mar	1264
1,253	Treas. 10½pc 1999	101xd	10.18	12.4	19Nov 19May	1288
1,548	Conversion 10¼pc 1999	100½xd	10.17	17.4	22May 22Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	90⅞	9.90	22.12	28Jan 28Jul	1338
1,554	Conversion 9pc 2000‡‡	93	9.92	25.1	3Sep 3Mar	1244
1,817	Treas. 13pc 2000	117¾	10.29	8.12	14Jan 14Jul	1299
1,050	Treas 10pc 2001	100	9.99	20.1	26 Aug 26 Feb	1280
1,250	Treas. 14pc '98–01	120¾xd	10.46	17.4	22Nov 22May	1306
802	Conversion 9¾pc 2001	98	9.94	4.1	10Feb 10Aug	1248
1,600	Exch. 12pc '99–02	110¼	10.32	16.12	22Jul 22Jan	1261
716	Conversion 10pc 2002	101	9.84	6.3	11 Oct 11 Apr	1241
1,450	Treas 9¾pc 2002	99⅞	9.82	23.1	27 Feb 27 Aug	1349
1,300	Exch. 9pc 2002	94⅞xd	9.74	12.4	19May 19Nov	1272
1,800	Treas. 13¾pc 2000–03	122⅞	10.32	19.12	25Jan 25Jul	1303
1,000	Treas 10pc 2003	101	9.73	30.1	8 Mar 8 Sep	1281
1,900	Treas. 11½pc 2001–04	109¾	10.11	10.2	19Sep 19Mar	1290
	Over Fifteen Years					
900	Treas. 10pc 2004	102xd	[illegible]	11.4	18 Nov 18 May	1282
443	Funding 3½pc '99–04	58⅛	[illegible]	8.12	14Jan 14Jul	1274
1,362	Conversion 9½pc 2004	99	[illegible]	20.3	25 Apr 25 Oct	1245
1,881	Conversion 9½pc 2005	99	[illegible]	13.3	18 Oct 18 Apr	1247
1,050	Exch. 10½pc 2005	108	[illegible]	13.2	20 Mar 20 Sep	1251
2,200	Treas. 12½pc 2003–05	120¾xd	[illegible]	14.4	21May 21Nov	1295
1,800	Treas. 8pc 2002–06‡‡	87	[illegible]	1.3	5Apr 5Oct	1334
702	Conversion 9¾pc 2006	102xd	[illegible]	10.4	15May 15Nov	1249
3,150	Treas. 11¾pc 2003–07	114	[illegible]	16.12	22Jul 22Jan	1293
1,446	Treas 8½pc 2007 ‡‡	93	[illegible]	12.12	16Jan 16Jul	1339
1,250	Treas. 13½pc '04–08	129	[illegible]	17.2	26Sep 26Mar	1301
1,800	Treas. 9pc 2008 ‡‡	97¾	[illegible]	7.3	13Apr 13Oct	1343
1,000	Treas 8pc 2009	89	[illegible]	16.2	25Mar 25Sep	1336
369	Conv 9pc Ln 2011 ‡‡	98	[illegible]	6.12	12Jan 12Jul	1245
1,000	Treas. 5½pc 2008–12‡‡	66	[illegible]	1.2	10Mar 10Sep	1330
700	Treas. 7¾pc 2012–15‡‡	86	[illegible]	20.12	26Jul 26Jan	1332
1,000	Exch. 12pc '13–'17	127	[illegible]	7.11	12Jun 12Dec	1260

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	Undated					
359	Consols 4pc	43	—	28.12	[illegible]	1239
1,909	War Loan 3½pc‡‡	38⅞xd	—	25.4	[illegible]	1352
140	Conv. 3½pc '61 Aft	66	—	23.2	[illegible]	1243
56	Treas. 3pc '66 Aft	36	—	1.3	[illegible]	1324
276	Consols 2½pc	27⅞	—	1.3	[illegible]	1238
475	Treas. 2½pc	27	—	23.2	[illegible]	1315
	Index-Linked	(b)	**			
500	Treas 2pc IL '90(84.6)	128⅝	2.7	19.12	[illegible]	1311
650	Do. 2pc '92‡‡(97.8)	106	3.61	14.2	[illegible]	1312
400	Do. 2'94 (102.9)	98xd	[illegible]	10.4	[illegible]	—
1,000	Do. 2pc '96(67.9)	144⅛	[illegible]	7.2	[illegible]	1313
900	Do 2½pc '01(78.3)	123¼	[illegible]	15.2	[illegible]	1316
800	Do. 2½pc '03(78.8)	120⅞xd	[illegible]	13.4	[illegible]	1317
1,200	Do. 2pc '06(69.5)	123	3.6	13.12	[illegible]	1314
950	Do. 2½pc '09(78.8)	115xd	[illegible]	13.4	[illegible]	1338
1,350	Do. 2½pc '11(74.6)	120⅛	[illegible]	17.1	[illegible]	1319
1,300	Do. 2½pc '13(89.2)	100	[illegible]	10.1	[illegible]	1320
1,700	Do. 2½pc '16(81.6)	108	[illegible]	20.12	[illegible]	1321
1,400	Do. 2½pc '20(83.0)	106	[illegible]	10.3	[illegible]	1322
900	Do. 2½pc '24‡‡(97.7)	89½	[illegible]	12.12	[illegible]	1323

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for August 1988:107.9 and for March 1989:112.3.

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
50	African Dv Bk 11¼ Ln 2010	104	10.60	1.12	[illegible]	—
100	Asian Dev Bk 10¼pcLn2009	100⅞xd	10.14	28.3	[illegible]	—
100	Australia 13½pc 2010	124xd	10.54	23.12	[illegible]	—
100	Do. 11¾pcLn2015	108⅝xd	10.43	22.3	[illegible]	—
75	Euro Inv Bk 11pc Ln 2002	103	10.63	23.2	[illegible]	—
100	Do. 10¼pc2004	99	10.38	24.10	[illegible]	—
75	Int-Am Dev Bk 12½pc 2003	113	10.58	7.12	[illegible]	—
175	Do. 9¾pcLn 2015	95	10.58	13.10	[illegible]	—
75	M'ysia 10¾pcLn 2009	94½xd	11.45	23.12	[illegible]	—
50	Utd. Mexican States 16½pc 2008	118	15.80	24.1	[illegible]	—

CORPORATION LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
32	Birmingham 13½pc 1989	100½xd	11.20	20.4	[illegible]	1838
45	Do. 11½pc 2012	106½xd	10.70	14.4	[illegible]	1837
40	GLC 6¾pc 1990–92	87½xd	11.70	16.1	[illegible]	2647
40	Leeds 13½pc 2006	128½xd	10.94	10.3	[illegible]	3146
5	Liverpool 3½pc Irred	31xd	—	1.3	[illegible]	3169
25	LCC 6¾pc '88–90	92½xd	15.40	12.12	[illegible]	3198
26	Do. 3pc '20 Aft	28xd	—	1.2	[illegible]	3197
7	Manchester 11½pc 2007	105½xd	10.80	31.3	[illegible]	3275

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
14	NZ 7¼pc 1988–92	88½	11.60	1.12	1Jan 1Jul	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
7,452.4	Abbott Laboratories	32¼xd	$1.20	2.1	11.4	Fb My Ag Nv	1503
269.2	Allegheny & W 1c.	518pl	30c	3.4	—	—	—
1,786.3	Amax $1	14⅝	40c	1.6	7.2	Mr Jn Se De	1581
1,194.4	Amdahl 5c	11⅛xd	h10c	0.5	31.1	My Mr Je Ag	—
2,943.3	Amer. Cyanamid $5	32	$1.20	2.2	27.2	Mr Je Se De	—
9,545.1	Amer Express 60c	19⅞xd	84c	2.6	3.1	Fb My Ag Nv	1594
1,036.3	Amer. Medical Int. $1	12¾	72c	3.3	9.1	Fb My Ag Nv	—
22,280.3	American T & T $1	20⅛	$1.20	3.4	27.5	Fb My Ag Nv	1597
14,297.0	Ameritech $1	33½xd	$2.92	5.1	28.3	Fb My Ag Nv	—
2,762.0	BankAmerica $1	15¾	60c	2.3	17.2	Fb My Au No	1744
2,046.3	Bankers N Y $1	25⅝xd	$2.08	4.7	31.3	Ap Jly Oc Jan	1745
9,632.3	Bell Atlantic $1	48⅝	$4.08	4.9	27.6	Fr My Au No	—
12,073.9	BellSouth Corp	26¾	$2.52	5.5	4.1	Fr My Au No	—
975.8	Bethlehem Steel $8	13⅛xd	—	—	6.2	Mar Jun S O	1821
—	Bio-Rad Labs. A	11¾	—	—	—	—	—
610.5	Bowater Inc	16⅝	$1.12	3.9	7.12	Oc Ja Ap Jy	1884
1,020.0	Brunswick 75c	11⅞xd	44c	2.2	20.4	F My Au N	1989
2,749.4	CPC Intnl. 25c	33⅛	$1.60	2.8	25.9	Jan Ap Jly O	2263
3,020.0	CSX $1	19¾	$1.24	3.7	22.2	M.J.S.D.	—
115.2	California Engy	633pl	—	—	—	—	—
3,201.3	Campbell Soup 15c	24⅝	92c	2.2	30.12	Oc Ja Ap Jy	—
1,775.4	Chase Manhattan $12½	21⅛xd	$2.36	6.3	26.4	Fb My Ag Nv	2109
2,398.6	Chem. Banking Corpn	21½	$2.72	7.4	10.3	Ap Jy Oc Ja	—
3,079.4	Chrysler $6¼	13⅛xd	$1.20	5.0	10.3	Mar Jun S O	2135
5,704.0	Citicorp $1	17⅛xd	$1.48	4.8	25.4	My Au N F	2141
3.66	CityFed Fin. Corp	178pl	4c	1.3	29.10	Fb My Ag Nv	—
2,022.6	Colgate-Palmolive $1	29⅛xd	$1.48	2.9	20.4	F My Au N	2184
697.5	Cons Freightwys 62½c	10½	98c	3.1	0.2	Fr My Au Nv	—
1,414.7	Cont'l Bank Corp $4	14	8c	0.5	30.11	Dc Mr Jn Sp	—
—	Corporate Data Scnce	334pl	—	—	—	—	—
104.9	Cullinet Sftwr 1c	325pl	—	—	—	—	—
1,096.5	Dana Corp $1	24¾	$1.60	3.9	28.2	Mr Jn Se De	2306
286.3	Data General	15¾	—	—	—	—	—
4,827.9	Dun & Bradstreet $1	31¼	$1.74	3.2	13.2	Mr Jn Sp Dc	—
1,450.0	Eaton Corpn 50c	34xd	$2.00	3.4	1.2	F My Ao N	2410
601.3	Echlin Inc	10½xd	70c	4.0	3.4	Jan Apr Jul Oct	—
2,379.9	FPL Group 1c	17⅛xd	$2.20	7.2	23.11	Mr Jn Sep Dec	—
14,965.0	Ford Motor $1	28¾xd	$3.00	6.2	27.4	Mar Jun S O	2615
655.4	GATX 62½c	35⅛	$2.00	3.3	7.3	Mar Jun S O	2662
26,316.3	Gen. Elect. 63c	25⅛xd	$1.64	3.3	2.3	Ja Ap Jly O	2675
—	General Host Corp $1	503pl	28c	3.3	13.12	—	—
2,652.0	Gillette $1	22⅝	96c	2.5	27.1	Mar Jun S D	2695
247.2	Gt Am First Svgs Bk $1	754pl	60c	4.6	28.10	Fb My Ag Nv	—
697.4	Greyhound $1½	18	$1.32	4.3	28.2	Ja Ap Jy Dc	2778
581.0	Hasbro Inc 50c	11	16c	0.9	1.2	Ja No Au My	—
312.5	Home Group $1	7⅝xd	20c	1.5	24.2	Jan Mar Jn Dc	2915
1,835.3	Honeywell $1½	41⅞	$2.10	2.9	28.2	Mar Jun S O	2919
2,029.7	Houston Inds.	17¾	$2.96	10.0	10.11	Mr Jn Se Dc	—
40,375.0	IBM Corpn $1¼	67⅝	$4.84	4.2	6.11	Mar Jun S O	2986
0.95	Image Storage/R.Sys 1c	45pl	—	—			2961
1,220.2	Ingersoll-Rand $2	23½xd	$1.04	2.6	13.2	Mar Jun S O	2979
1,779.5	Lockheed Crpn. $1	27½xd	$1.60	3.4	15.2	Mar Jun S O	—
290.8	Lone Star Inds $1	17⅝xd	$1.90	6.3	1.3	May Au N Mar	3216
639.8	Louisiana Land 15c	20⅛xd	$1.00	2.8	28.11	Mar Jun S O	3222
594.5	Lowe's 50c	15	48c	1.9	9.1	Jan Ap Jly Oc	—
1,008.4	Manuf. Hanover $1	21	$3.28	9.1	26.6	Jan Ap Jly Oc	3279
1,795.8	Merrill Lynch $1	17	$1.00	3.4	31.10	Feb My Au N	3351
509.7	Molex Inc	2009pl	3.2c	—	—	—	3397
4,917.5	Morgan (JP) $2½	22¼xd	$1.66	4.4	21.12	Jan Ap Jly O	3418
9,548.4	NYNEX $1	43⅝	$4.04	5.4	27.6	F May Au N	—
351.9	PHH Corp.	21	$1.12	3.1	4.4	Ja Ap Jy Oct	—
—	Pacific Agr.	244pl	—	—	—	—	—
1,522.0	Pacificorp $3¼	21⅞xd	$2.64	7.0	19.4	Fb My Ag Nv	—
9,633.6	Pacific Telesis 10c	22⅛	$1.76	4.6	12.85	Fe My Au No	—
670.6	Pall Corp. 25c	18⅛	48c	1.5	24.1	Fe My Au No	—
2,059.9	Pennzoil 83 1/3c	50⅛	$3.00	3.5	28.2	Mar Jun S O	3630
731.0	Premark Intl.	21⅛	60c	1.7	17.3	Jan Ap Jl Oc	3710
2,671.5	Quaker Oats $5	33⅛xd	$1.20	2.1	20.3	Jly Oc Jan Apr	3738
639.3	Rep NY Corpn $5	25⅛	$1.28	2.9	10.3	Jan Apr Jly O	3814
3,540.6	Rockwell Intl. $1	12⅝xd	72c	3.3	16.2	Mr Jn Se De	3847
8,516.1	Southwestern Bell $1	28⅛	$2.48	5.1	5.7	Fb My Ag Nv	—
2,541.4	Sun Co Inc. $1	23⅝	$1.80	4.4	7.2	Mr Jn Se Dc	4135
1,576.8	TRW Inc. 62½c	26⅛	$1.72	3.8	7.2	Mr Jn Se De	4318
983.5	TW Services $5	19	10c	0.3	11.11	Fe My Au No	—
4,636.1	Tenneco $5	31⅛	$3.04	5.7	7.2	Mr Jn Se Dc	4194
7,695.4	Texaco $6.25	31⅛xd	$3.00	5.5	2.2	Mr Je Se De	4200
2,374.5	Texas Instr. $1	23⅛xd	72c	1.8	23.3	JAJO	5033
6,702.8	Time Inc. $1	70½	$1.00	0.8	22.2	Mr Ju Se Dc	4234
557.4	TRINOVA Corp.	16⅛xd	64c	2.3	15.2	Mc Je Se Dc	4309
6,233.6	USX $1	20⅛	$1.40	4.0	7.2	Mr Je Se De	4380
148.6	Unilab	160pl	—	—	—	—	—
4,082.4	Utd. Technologies	31⅛	$1.60	3.0	14.2	Mr Jn Se Dc	4381
—	Utilitech Inc	138pl	—	—	—	—	—
7,639.1	US West	38⅛xd	$3.76	5.8	14.4	Fb My Ag Nv	—
6,343.5	Waste Management $1	28⅛xd	48c	1.0	17.3	Ap Jly Oc Jan	4439
1,194.3	Whirlpool $1	17¾	$1.10	3.7	28.2	Mr Jn Se Dc	—
2,214.1	Whitman Corp.	19⅛xd	96c	2.8	7.3	Ap Jy Dc Ja	2951
2,077.0	Woolworth $3½	31⅝	$1.64	3.0	26.1	Mr Je Se De	4540

Continued on next page

Kleinwort Benson Group

	Bid Price	Offer Price	Yield Gross	City-line
Transatlantic Gth Fd	$15.64		—	45345
Global Inc. Fd	$10.23		1.17	45346
Virginia Trading Corp				
Commonwealth Intnl	$1508.40		—	45347
Fenchurch Gamma	$1097.40		—	45350

Korea Growth Trust

[illegible]

PFC Internatl Portfolio Fd Mngt Ltd

[illegible]

Aitken Home

30 City Road, EC1Y 2AY 01-638 6070

Treasury Acc	12.00	9.39	12.71	—
Mon Int Chq (£500–£5000)	11.75	9.19	12.54	—
Mon Int Chq £5 000+	12.00	9.39	12.81	—

Bank of Ireland High Interest Cheque Acc

36 Queen St, EC4R 1BN 01-625 7000

2,000–9,999	11.726	9.176	12.662	—
£10,000+	12.052	9.431	13.026	—

Bank of Scotland

38 Threadneedle St, EC2P 2EH 01 601 6746

Money Mkt Cheque Acc	11.75	9.19	12.79	—

Barclays Prime Account

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

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CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp	131p	–	–	–	–	–
–	Abbot Energy Corp	23½p	–	–	–	–	–
720	American Barrick Res.	12½	–	–	–	–	–
–	Amer Lightwave	2½p	–	–	–	–	–
–	Armeno	17½p	–	–	–	–	–
–	Aslamerica Hldgs	305p	–	–	–	–	–
–	Augmitto Explo.	2¾p	–	–	–	–	–
1,572.4	Bk Montreal	15½	$2.12	6.7	8 8	Fb My Ag Nv	–
1,297.4	Bk Nova Scotia	702p	84c	5.2	26.9	Ja Ap Ju Oc	–
4,964.7	BCE	18¾	$2.44	8.4	13.3	Ap Jy Oc Ja	–
314.3	Bow Valley	759p	40c	2.5	15.12	May Nov.	–
933.5	Brascan	11¼	88c	3.1	28.10	Ja Ap Jy Oc	–
39.0	Breakwater Res.	27p	10c	2.8	–	–	–
2,191.1	Can Imp Bank	14	$1.16	4.0	29.6	Fe My Au No	–
3,447.4	Can Pacific	11¾	76c	3.2	28.3	Ja Ap Jy Oc	–
19.4	Do 4pc Deb £100.	41½	4%	9.6	24.11	July Jan	2051
–	Central Capital "A"	460p	–	–	–	–	–
–	Corona Corp	306p	–	–	–	–	–
58.5	Cons TVX Min	361p	–	–	–	–	–
–	Daneus Mem Sys	21p	–	–	–	–	–
–	Dorlan Inds	653p	11.75c	0.9	3.6	Mr Ju Se De	–
801.2	Echo Bay Mines	846p	$0.07	0.4	–	June Dec	–
–	ECO Corp	010p	–	–	–	–	–
67.4	Galactic Resources	226p	–	–	–	–	–
255.5	Gandalf Techs Inc	292p	–	–	–	–	5088
0.98	Geodome Res	17½p	–	–	–	–	–
29.8	Granges Expln	137p	–	–	–	–	–
–	Gt Pacific Res.	15p	–	–	–	–	–
–	Gulf Canada	774p	52c	3.2	26.3	Ja Ap Jy Oc	–
100.9	Hawker Sid Can	12¾	$1.08	4.2	15.11	Ap Jy Oc Ja	–
–	Henlys Group	609p	–	–	–	–	–
384.6	Hudson's Bay	12¾	60c	2.5	2.10	Mr Jn Sp Dc	–
4,388.7	Imperial Oil	27	$1.80	3.2	26.1	Mr Je Se De	–
1,925.1	Inco	21¼	$0.60	2.6	2.11	Jan Ag J O	–
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

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PROPERTY

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SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
6.62	Jantar 12½p.......y	135	–	–	6'86	–	3022
292.3	Malaysia Mng 10c.	71xd	0.5c	1.5	17.4	Dec Aug	3272
18.2	Pecaling SM1.........	180	Q87c	10.3	12.12	December	5644
4.27	Sungei Besi SM1...	125	Q70c	11.8	12.12	September	4140
1.34	Tanjong 15p.........	90	–	–	6'81	–	–

Miscellaneous

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
10.0	Anglesey Mining 9p. y	[illegible]	–	–	–	–	5186
1.40	Do. Warrants.......y	[illegible]	–	–	–	–	5072

THIRD MARKET

Market Cap. £m	Stock	Price	Div Net	Cvr	Y'ld Gr's	Dividends Paid	City-line
8.89	Seacon Hldgs ...... y	128	2.5	2.6	3.4	Oct May	3968
1.12	Sonic Tape 2½p....y	9	–	–	–	–	5152
2.49	Staks Hldgs. 5p.... y	9	–	–	–	–	4625
3.92	Swanyard Studios 1p y	24	–	–	–	–	4666
41.7	Takare.............. y	478xd	1.0	0.3	25.4	–	4647
5.15	Tomorrows Leisure 20p y	46	–	–	–	–	4248
16.5	TnUow Oil 10p..... y	16½	–	–	34.2	–	4886
4.43	UPL Group 10p. ...y	119	L2.41	2.9	28.11	Dec June	4362
6.97	Unit Group.......... y	135	F7.5	7.4	28.11	Jan July	4357
6.89	Vista Ents 5p ...... y	13	–	–	–	–	–
20.9	Viscaya Hldgs 5p.. y	39	–	–	–	–	–
41.0	Wheelgate Leisure 20p y	35	–	–	–	–	1105
1.21	Do. Wrrnts......... y	18	–	–	–	–	1116
31.6	Wilton Group 1p .. y	9	–	–	–	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ *Not officially UK listed, dealings permitted under rule 535(4)(a)*
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ♠ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‖ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ▮ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend u Forecast or estimated annualised dividend rate. v Subject to local tax y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1986. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p .. y	95	+2
Craig & Rose £1.. y	720	.....
Finlay Pkg 5p.... y	91	.....
Holt (Jos) 25p..... y	1300	.....

IRISH

Con. 8½% Ln 1991 ..	£99¾	–¼
9pc Cap Ln 1996..	£99	.....
Fin. 13% 97/02...	£120	.....
Arnotts...............	455	.....
Carroll (P.J.). ..... y	152	.....
Hall (R & H)	155	...
Heiton Hldgs ..... y	00	+1
Irish Ropes...........	190	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons..........	40
Amstrad..................	18
BAT	40
BOC Grp................	36
BSR	7½
BTR	26
Barclays..................	34
Beecham..................	40
Blue Circle...............	39
Boots.......................	20
Bowaters..................	38
Brit Aerospace..........	42
Brit. Telecom............	21
Burton Ord	18
Cadburys..................	31
Charter Cons............	45
Comm Union	28
Courtaulds...............	26
FKI Babcock.............	13
FNFC.......................	21
Gen Accident............	71
GEC.........................	15
Glaxo	90
Grand Met................	38
GUS 'A'....................	90
Guardian..................	16
GKN	28
Hanson	12
Hawker Sidd.............	48
ICI	85
Jaguar.......................	22
Ladbroke	33
Legal & Gen	26
Lex Service...............	34
Lloyds Bank..............	29
Lucas Inds	48
Marks & Spencer.......	15
Midland Bk	35
Morgan Grenfell.........	23
NEI...........................	12
Nat West Bk	45
P & O Dfd	45
Plessey......................	15
Polly Peck..................	28
Racal Elect................	25
PHM.........................	32
Rank Org Ord...........	63
Reed Intnl.................	38
STC	24
Sears.........................	13
TI	32
TSB	9
Tesco	12
Thorn EMI................	55
Trust Houses.............	24
T&N.........................	16
Unilever	42
Vickers	15
Wellcome..................	42

Property

Brit Land	30
Land Securities	52
MEPC	50

Oils

Brit Petroleum	21
Do. Inc. Certs............	12
Burmah Oil................	48
Calor.........................	35
Charterhall	2½
Premier.....................	9
Shell	65
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

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WORLD STOCK MARKETS

CANADA

TORONTO
4pm prices May 1

MONTREAL
4pm prices May 1

Total Sales 4,276,282 shares.

INDICES

NEW YORK — DOW JONES

	May 1	Apr 28	Apr 27	Apr 26	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2414.96	2418.80	2418.99	2389.11	2418.99 (27/4)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.81	89.02	88.73	88.53	89.62 (8/2)	87.35 (23/3)	-	-
Transport	1136.64	1142.79	1144.08	1127.91	1144.08 (27/4)	959.95 (3/1)	1144.08 (27/4/89)	12.32 (8/7/32)
Utilities	192.80	192.21	191.68	190.61	192.80 (1/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2420.45 (2430.17) Low 2390.03 (2403.59)

STANDARD AND POOR'S	May 1	Apr 28	Apr 27	Apr 26	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite †	309.12	309.64	309.58	306.93	309.64 (28/4)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	354.13	356.58	356.82	353.98	357.49 (21/4)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	28.71	28.71	28.71	28.47	28.83 (21/4)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	172.82	173.13	173.06	171.75	173.13 (28/4)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	345.28	345.08	344.75	343.41	345.08 (28/4)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	427.47	427.55	426.18	423.38	427.55 (28/4)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Apr 28	Apr 21	Apr 14	year ago (approx.)
Dow Industrial Div. Yield	3.45	3.46	3.57	3.47
	Apr 26	Apr 19	Apr 12	year ago (approx.)
S & P Industrial div. yield	3.08	3.05	3.12	2.94
S & P Indl. P/E ratio	13.60	13.62	13.26	15.35

TRADING ACTIVITY — † Volume (Millions)

	May 1	Apr 28	Apr 27
New York	138.533	158.390	191.170
Amex	8.989	10.135	11.443
OTC	(u)	129.239	136.660

NEW YORK	May 1	Apr 28	Apr 27
Issues Traded	1,939	1,934	1,953
Rises	576	735	1,005
Falls	832	705	464
Unchanged	531	494	484
New Highs	74	123	142
New Lows	18	18	15

CANADA

TORONTO	May 1	Apr 28	Apr 27	Apr 26	1989 High	1989 Low
Metals & Minerals	3386.8	3371.2	3362.6	3347.0	3564.9 (6/2)	3207.5 (3/1)
Composite	3613.1	3627.9	3600.6	3578.1	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1840.97	1844.12	1822.03	1807.83	1850.44 (8/2)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Union Carbide	9,005,400	31⅞	+ ¼	Sealedair	1,656,500	50¾	+ ½
Southern Co	2,967,700	23½		Merrill Lynch	1,641,500	28¾	- ⅛
Avon Prod	2,739,000	32¼	+ 3⅝	Texaco	1,496,300	54¼	+ ¼
Illinois Power	1,866,600	13⅞		AT & T	1,256,500	34½	- ⅛
US Shoe	1,660,900	17⅞	+ ½	IBM	1,176,600	113⅞	- ⅝

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 1	Apr. 28	Apr. 27	Apr. 26	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80) ‡	1491.2	1500.7	1479.9	1472.5	1551.7 (31/1)	1412.9 (7/4)
All Mining (1/1/80) ‡	675.9	685.1	676.8	668.8	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	314.79	312.76	310.58	314.79 (28/4)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	(c)	(u)	5898.31	5912.77	5926.89 (20/4)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	303.33	299.91	298.64	303.35 (28/4)	275.49 (27/2)
FINLAND						
Unitas General (1975)	(c)	806.6	806.2	803.1	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	(c)	468.4	457.8	464.6	470.4 (24/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	(c)	109.9	108.6	109.0	111.3 (24/4)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	(c)	577.99	576.5	577.27	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	(c)	1716.1	1717.8	1717.7	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	(c)	1370.90	1369.57	1373.04	1394.62 (17/4)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	3123.87	3116.03	3077.26	3118.67	3209.96 (9/2)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	(c)	613.0	611.53	615.32	620.30 (24/4)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33793.17	33713.85	33500.83	33434.9	33793.17 (1/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2503.26	2488.52	2471.5	2461.02	2503.26 (1/5)	2366.91 (6/1)
NETHERLANDS						
CBS Tll.Rtn.Gen. (End 1983)	233.9	239.5	239.4	237.4	239.5 (28/4)	208.3 (3/1)
CBS All Shr (End 1983)	185.7	190.3	190.6	189.1	190.6 (27/4)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	(c)	637.34	636.40	651.39	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	(c)	1259.41	1253.17	1250.31	1259.41 (28/4)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(c)	1500.0	1527.0	1518.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	(c)	2575.0	2571.0	2560.0	2575.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	(c)	297.29	296.30	295.95	297.29 (10/4)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	(c)	3896.1	3896.5	3871.3	3912.2 (6/4)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(c)	686.0	680.6	676.8	686.0 (28/4)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(c)	(u)	513.7	511.0	519.0 (17/2)	491.2 (28/3)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday May 1 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	74.9m	926	+14	NKK	22.4m	666	+21
Kawasaki Steel	41.8m	1,060	+30	Nisshin Steel	17.4m	1,690	+20
Nippon Steel	30.8m	980	+12	Kobe Steel	18.3m	934	+11
Mitsui Shipbuilding	29.6m	983	+15	Nihon Nosan Kogyo	11.7m	905	+75
Hitachi Zosen	24.3m	810	+29	Isuzu Motors	11.4m	1,100	+30

WORLD STOCK MARKETS

AMERICA

Dow recovers from early knocks

Wall Street

THE PUBLICATION of a stronger than expected economic picture from US purchasing managers sent an overextended stock market sharply lower early yesterday but stocks had recouped most of their losses by the end of the session, *writes Janet Bush in New York.*

The Dow Jones Industrial Average plunged 20 points within the first half hour of yesterday's session but then stabilised and recovered to close 3.54 lower at 2,414.96. It appears that 2,400 has become a main support level for the Dow. Volume was very low with only 138m shares changing hands.

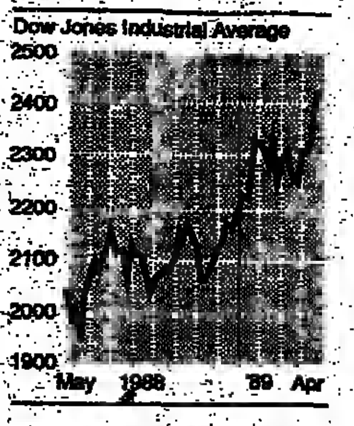
The recovery came in spite of the continued drift of US Treasury bonds.

The April report from purchasing managers indicated something of a rebound in economic activity compared with April to a level roughly commensurate with the first quarter taken as a whole: its index rose to 53.9 per cent from 50.4 per cent in March.

The sharp rally last Thursday to a post-crash peak was partly because of rumours that the purchasing managers index

US

Dow Jones Industrial Average



had fallen below 50 per cent in April, the level which acts as a dividing line between economic growth and contraction.

Both bond and stock markets have performed strongly recently on hopes that a broad deceleration of economic activity is underway. Although there were some positive aspects to the purchasing managers report, notably a decline in the rate of inflation, markets interpreted it as showing that the economy remains more robust than imagined.

This view certainly helped the dollar which rose strongly in spite of more talk about the prospects of a Japanese discount rate increase and intervention by the Bank of Japan and the US Federal Reserve.

In late trading, the dollar was quoted near session highs at Y134.10 and DM1.8915 while the US Treasury bond market was quoted about ⅜ point lower at the long end, taking the yield on the benchmark long bond to 8.99 per cent.

The markets will closely watch this week's key economic releases. Tomorrow sees the release of the US Federal Reserve's Tan Book, a compilation of regional economic reports used as a guide to policy-making in the Federal Open Market Committee. Also due tomorrow are April figures for car sales, which have been conspicuously weak recently.

Crucial too will be Friday's April unemployment and wages release.

Takeover situations provided some interest yesterday. Ogilvy Group, the international advertising agency, surged $17⅛ to $49⅞ in over-the-counter trading after receiving a $45 a share offer from WPP Group of Britain. Analysts believe that WPP is prepared to pay a higher price for the US group.

CNW gained $¾ to $43¾ on the New York Stock Exchange as its board formed a committee to consider the $44 a share offer from Japonica Partners.

Kollmorgen declined $1⅛ to $23⅝ after the company agreed to be acquired for $25 a share by Vernitron which had been trying to take over the company for some time.

Canada

WEAKNESS on Wall Street and a bout of profit-taking saw stocks close with a moderate loss in quiet trading. The composite index fell 14.71 to 3,613.14 as declines led advances 378 to 244.

THE THREAT of a political crisis sent Dutch shares plunging in active turnover yesterday, while most other bourses in Europe were closed.

A coalition row over plans for spending cuts to pay for an environmental scheme pushed the CBS tendency index down 6.6, or 3.6 per cent, to 177.6 in trade of Fl 892m.

Blue chips were worst hit, with most selling attributed to individual investors. Royal Dutch fell Fl 2 to Fl 134.80, Unilever lost Fl 3.50 to Fl 132 and recent favourite Hoogovens shed Fl 4.80 to Fl 100.80.

ASIA PACIFIC

Nikkei edges closer to 34,000 level

A QUIET holiday atmosphere and a weaker yen kept a lid on buying enthusiasm but Japanese shares nevertheless rose to a fourth consecutive record high, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average moved closer to the 34,000 level, advancing 79.82 to close the day at a new high of 33,793.17. The index had reached a session peak of 33,880.75 and a low of 33,721.58.

Advances led declines by 578 to 337 with 172 issues unchanged.

The Topix index of all listed shares gained 14.74 to 2,503.26, but turnover at 921m shares was down from Friday's 1.19bn.

There was very little news to give the market direction on a day that was sandwiched between the weekend and the second and longer part of the Golden Week holidays, starting on Wednesday. Trading was featureless and the rise in share prices to new heights was attributed to a lack of selling rather than a frenzy of buying.

There was a mood of optimism, although it was based on little concrete fact. "It is a funny situation in which people are arguing themselves into a bullish posture," one analyst said. The positive stance stemmed largely from confidence that a lot of money would soon be entering the market from institutions which had pulled out of the market in March to adjust their books for the year-end.

There has also been speculation that funds from post office pension funds will return to the market, although there is no hard evidence that this will happen soon.

The market's fundamental strength yesterday was reflected in its ability to rise in spite of a weaker yen and a sluggish bond market. While interest rate worries have been quelled for the time being, currency concerns will remain since investors have no way of knowing what overseas markets will do to the yen over the holiday period from Wednesday to Friday.

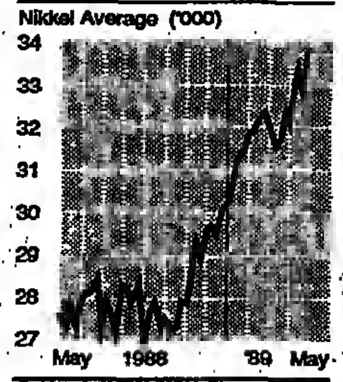
The main brokers were said to be doing their best to promote large capital issues yesterday and one leading firm reported that business estimates for the steel companies were likely to be revised upwards. With less worry about interest rates, large volume issues attracted considerable interest on expectations that they would be sought later to meet the needs of new funds coming into the market.

The most actives list was dominated by large capital issues, with steels claiming six of the top 10 slots. Sumitomo Metal, top with 74.9m shares, gained Y14 to Y925. Kawasaki Steel followed with 41.8m shares and rose Y80 to Y1,060. Nippon Steel was third most actively traded with 30.8m shares and added Y12 to Y950.

Shipbuilding issues were also actively sought with Mitsui Engineering and Shipbuilding rising Y15 to Y963 and Hitachi Zosen gaining Y29 to

Japan

Nikkei Average ('000)



Y810. Buying stemmed from the general interest in large volume issues and from an upward revision in profits by Hitachi Zosen, which was also selected as a laggard.

Companies with improved earnings prospects also featured. Nihon Nosan Kogyo, a feed maker, appeared in the top 10 list, increasing Y75 to Y905, amid expectations that possible targeting by the US under the Super 301 provision of the Trade Act would speed up decontrol of Japan's farming industry. At present the all-powerful agricultural co-operative has virtual control over feed prices and liberalisation could lead to higher prices and greater profits.

Share prices surged in Osaka on interest in large capital issues. The OSE average gained 142.06 to 32,721.55 although volume fell to 85m shares from 105m on Friday.

Roundup

TRADING in Asia Pacific markets was subdued by the May 1 holidays in London and continental Europe and no clear pattern emerged.

AUSTRALIA was pulled down by a fall in metal prices. The All Ordinaries index closed 9.4 lower at 1,491.2, with golds particularly hard hit. Turnover was 81m shares worth A$208m.

In the takeover arena, ANI shed 3 cents to A$1.40 on 4.88m shares traded, equalling the offer price from Mr Kerry Packer's Consolidated Press Securities. Wormald International climbed 10 cents to A$1.95 following a large purchase of 1m shares at A$1.90 through London.

Food group Goodman Fielder Wattie, targeted by Ranks Hovis McDougall of the UK, rose 2 cents to A$2.45.

HONG KONG finished firmer after a late bout of buying in property stocks and the Hang Seng index gained 7.84 to 3,123.87 in moderate turnover worth HK$872m.

Hongkong Land was the most active stock with a rise of 30 cents to HK$11.60 amid reports it had obtained a record high rent in one of the leading central office blocks, Exchange Square Two. Hutchison rose 10 cents to HK$11.40.

Stock markets in Singapore and South Africa were closed for holidays.

IFC EMERGING MARKETS INDICES

Market	No. of stocks	PRICE: March 1989	PRICE: % Change on Feb (Dollar terms)	PRICE: % Change on Dec 31 '87 (Dollar terms)	PRICE: March 1989	PRICE: % Change on Feb (Local currency terms)	PRICE: % Change on Dec 31 '87 (Local currency terms)	TOTAL RETURN: March 1989	TOTAL RETURN: % Change on Feb (Dollar terms)	TOTAL RETURN: % Change on Dec 31 '87 (Dollar terms)
Latin America	(158)	189.6	19.6	119.6	—	—	—	252.4	20.0	144.4
Argentina	(24)	171.1	23.0	25.3	38,961.3	81.8	1,370.9	202.3	23.0	42.7
Brazil	(56)	134.3	32.4	197.2	40,664.1	32.4	4,034.4	187.7	33.1	242.4
Chile	(25)	509.2	0.3	36.1	1,002.8	4.2	49.2	783.0	0.5	54.4
Mexico	(53)	358.1	8.5	104.8	4,409.5	10.1	121.4	462.2	8.5	114.2
Asia	(204)	370.3	6.9	124.6	—	—	—	459.1	7.7	137.1
Korea	(61)	525.6	8.5	114.1	427.6	8.5	81.2	578.9	10.3	140.5
Malaysia	(62)	119.1	5.4	33.6	135.0	2.0	47.6	139.1	1.9	42.0
Taiwan	(62)	987.1	7.6	191.3	680.1	5.5	177.9	1,080.6	7.8	196.3
Thailand	(19)	237.7	-1.7	42.4	222.4	-1.4	43.6	410.4	1.8	62.1

Source: International Finance Corporation. Base date: Dec 31,1984.

COMMODITIES PRICES

US MARKETS

WITH London markets closed, most US markets had slow sessions, reports Drexel Burnham Lambert. In the metals, gold, silver and platinum edged higher on some scattered short-covering after Friday's sharp decline. Copper lost over 200 points on mostly local activity. In the softs, sugar was the most active market as prices gained 65, basis July, on trade and commission house buying. Prices traded as low as 1138 before soaring late in the session. Speculative selling weakened the coffee market. Cocoa closed higher in quiet trading. The livestock markets had lower belly futures due mostly the large amount of first day deliveries against the May. An expectation of declining hog runs gave support to the hog futures. Cattle closed unchanged on mixed fundamentals. In the grains, prices rose in all markets as the settlement of the port strike helped firm the futures. Expected Soviet tender business was supportive for the corn market as prices rose 4¼, basis May. The energy complex advanced on steady trade buying helped by stop orders adding strength. Orange juice futures rallied 270 in the May contract on good commission house buying.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	379.2	377.9	0	0
Jun	380.7	380.5	381.9	377.5
Jul	382.9	382.7	0	0
Aug	385.1	384.8	385.7	381.8
Oct	390.1	389.8	390.1	387.5
Dec	395.2	394.8	395.8	391.5
Feb	400.2	399.8	0	0
Apr	405.3	404.8	405.3	403.8
Jun	410.4	409.9	409.0	408.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	537.3	534.5	539.0	533.1
Oct	534.8	529.5	535.0	529.0
Jan	535.3	526.5	535.5	527.0
Apr	537.3	530.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	584.8	580.1	588.0	580.5
Jun	589.5	585.1	588.0	588.9
Jul	575.0	570.5	579.0	566.0
Sep	585.3	580.7	588.0	590.0
Dec	600.0	596.1	604.0	595.0
Jan	604.7	599.7	0	0
Mar	614.5	609.3	613.0	609.3
May	624.8	619.2	625.0	625.0
Jul	634.8	629.2	637.0	634.0
Sep	645.4	639.8	642.0	642.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	136.65	139.70	138.50	135.10
Jun	134.10	133.40	0	0
Jul	132.30	133.60	133.30	131.10
Sep	127.50	128.10	128.00	126.50
Dec	122.70	122.60	122.50	121.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	20.72	20.42	20.75	20.32
Jul	19.50	19.34	19.51	19.23
Aug	18.89	18.75	18.89	18.64
Sep	18.50	18.40	18.54	18.32
Oct	18.24	18.13	18.25	18.07
Nov	17.88	17.01	17.90	17.86
Dec	17.87	17.72	17.90	17.64
Jan	17.56	17.51	17.56	17.53
Feb	17.41	17.37	17.45	17.40
Mar	17.35	17.25	17.35	17.30

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	4960	4977	5015	4835
Jul	4895	4903	4930	4855
Aug	4930	4938	4970	4900
Nov	5100	5113	5140	5085
Dec	5155	5173	5200	5155

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1250	1223	1245	1217
Jul	1216	1200	1217	1203
Sep	1221	1205	1222	1210
Dec	1229	1213	1227	1215
Mar	1231	1214	1223	1214
May	1242	1224	1233	1225
Jul	1219	1200	1217	1203
Sep	1276	1262	1270	1270

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	132.95	134.70	134.50	132.75
Jul	125.44	127.45	127.20	125.30
Sep	120.21	122.39	121.60	120.10
Dec	117.06	118.88	118.25	117.00
Mar	116.53	119.00	117.50	116.55
May	115.78	117.00	0	0
Jul	116.00	117.00	0	0
Sep	117.50	117.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	12.19	11.54	12.20	11.38
Oct	12.28	11.50	12.32	11.22
Jan	11.83	11.33	0	0
Mar	11.74	11.24	11.74	11.07
Jul	11.70	11.20	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	63.66	64.00	64.05	63.50
Jul	64.40	54.86	64.55	64.05
Oct	65.42	65.37	65.50	65.15
Dec	65.30	65.00	65.35	64.80
Mar	65.50	65.70	65.75	65.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	181.15	178.45	181.40	176.10
Jul	183.30	181.60	183.20	179.80
Sep	180.85	177.89	180.85	176.80
Nov	170.35	167.50	171.00	168.65
Jan	166.55	164.25	167.50	166.00
Mar	165.05	163.75	0	0
May	165.75	163.50	0	0
Jul	165.75	163.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	735/2	722/4	736/0	724/0
Jul	744/4	729/4	745/0	732/6
Aug	743/0	727/4	744/0	731/0
Sep	730/0	714/0	731/4	717/0
Nov	723/4	705/6	727/0	709/4
Jan	731/2	714/6	735/0	719/4
Mar	739/0	724/0	745/0	730/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	23.17	22.83	23.18	22.84
Jul	23.62	23.36	23.70	23.43
Aug	23.94	23.64	23.95	23.69
Sep	24.22	23.90	24.25	24.00
Oct	24.43	24.10	24.43	24.18
Dec	24.86	24.47	24.88	24.55
Jan	24.97	24.60	25.00	24.90
Mar	25.50	25.10	25.50	25.35

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	224.0	221.6	224.5	222.0
Jul	220.6	220.1	224.2	221.1
Aug	221.9	217.8	222.5	219.0
Sep	219.0	214.5	219.5	215.5
Oct	215.5	211.0	216.5	212.0
Dec	214.0	209.7	215.5	211.5
Jan	213.7	209.5	214.0	211.5
Mar	214.0	209.5	214.5	211.0
May	213.5	209.5	214.0	213.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	274/0	269/2	274/2	271/4
Jul	274/6	270/4	275/0	271/2
Sep	266/6	262/0	267/0	263/4
Dec	265/4	258/6	265/4	261/6
Mar	272/0	266/2	272/0	268/2
May	273/2	267/6	273/2	270/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	423/6	417/4	424/0	417/2
Jul	410/0	405/0	410/0	404/0
Sep	417/2	412/6	417/4	412/0
Dec	429/4	424/6	429/4	424/4
Mar	436/4	431/4	436/4	431/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	71.45	71.45	71.60	71.27
Aug	67.85	68.22	68.45	67.80
Sep	68.40	68.40	0	0
Oct	69.22	69.20	69.52	69.00
Dec	70.35	70.25	70.47	69.90
Feb	70.87	70.70	70.97	70.50

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	46.92	45.62	47.20	46.45
Jul	47.72	47.62	48.10	47.50
Aug	46.20	46.17	46.45	46.05
Oct	43.12	43.02	43.20	42.87
Dec	44.60	44.65	44.85	44.60
Feb	46.17	46.05	46.20	46.00
Apr	44.90	44.80	44.90	44.77

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	30.87	31.37	31.67	30.85
Jul	30.87	31.07	31.55	30.70
Aug	30.60	30.60	31.10	30.45
Feb	46.52	46.75	46.95	46.15
Mar	46.00	46.00	46.30	45.75
May	47.25	47.25	47.50	0
Jul	45.00	48.75	48.65	48.00

4pm prices May 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Prev. Close	Ch'ge
29	25	XTRA pl1.24		8.3		10	30¼	30¼	30¼	− ⅛	
3¼	2	Zapata				511	3½	3	3⅛		
27½	18⅝	Zayre	.40	1.5	170	2294	26⅞	20½	26¾	− ⅛	
15½	10⅛	Zemex	.40	3.6	22	8	11	10¾	11	+ ⅛	
20	16½	ZenithE			944	1905	19⅛	10⅛	10⅜	− ⅛	
10⅜	8⅞	Zeninc	1.28	13.		55	9⅞	9¼	9⅞	+ ⅛	
2⅞	1	viZenLb				322	1⅜	1¼	1⅜	− ⅛	
21⅞	15	ZenNtl	.80	4.1	9	43	19½	12⅛	19½	− ⅛	
19⅞	15⅛	Zero	.44	2.3	15	100	19¼	18	19	− ½	
20⅜	19	Zuraln	.80	2.3	18	131	29⅛	28	29⅛	− ⅛	
11⅞	20	Zweig	1.07e	10.		456	10⅞	10⅛	10⅜	− ⅛	
10⅛	8¾	ZweigT	n.24e	2.7		537	9⅝	9	9	− ⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend, cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices May 1

OVER-THE-COUNTER

Nasdaq national market, 3pm prices May 1

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
A&W Bd		29	95	20¾	20½	20¾	
ADC		16	34	11⅞	11⅞	11⅞	
ADT			1684	26½	29¾	29⅛	− ⅛
AEP		10	9	14¼	14	14	− ½
ALC lx			1422	4 11-16	4 7-16	4 7-16	− ⅛
ASK		15	76	14⅞	14¼	14¼	− ⅛
AST			225	8¼	8	8¼	
AcroeSt	.05e	8	51	25¼	29	25¼	+ ⅛
ActARt s		29	130	u19¼	19	19¼	+ ¼
Actmed			111	14⅝	14¼	14½	− ⅛
Acuora		17	6	14	14	14	+ ¼
AdacLb	.16	14	1318	4 5-16	4⅛	4 3-16	− ⅛
Adapt		40	171	7⅝	7½	7⅝	− ½
Adingtn		18	96	30	37½	37½	− ½
AdiaSv	.14	14	210	22¼	22	22¼	+ ⅛
AdobeS	s.08i	23	4139	28½	25½	25¾	−1
AdMkSv		16	3	14	13⅞	14	− ⅛
AdvPoly			104	8⅛	7⅞	7⅞	− ⅛
AdvSeas			800	10¾	10	10½	+ ⅝
AdvTel		16	215	16⅛	15⅞	16⅛	− ⅛
Advanta			80	6½	6¼	6½	
AdvoSy			113	6⅞	6¼	6¼	− ⅛
AflBcCp	.32	8	10	6¼	d 6	6	− ⅛
AflSch			81	11⅝	11¼	11⅛	− ½

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WilmTr	1.24	11	25	36	35½	35½	− ½
WiserO	.40	61	3	16½	16½	16½	
Wetchn	.28	9	112	18⅛	18	18	− ⅛
WolsEx			55	7⅛	7⅛	7⅛	− ⅛
Worthg	.48	14	422	22	21¾	21¾	− ⅛
Wyman	.80	66	555	16¼	15⅞	16¼	+ ⅛
— X — Y — Z —							
XL Data s		16	325	19¾	19¾	19¾	− ⅛
XOMA			540	15	15½	15½	− ⅛
Xicor		10	663	7⅞	7½	7⅛	− ⅛
YelowF	.70	10	130	28½	28¼	28½	− ⅛
Zycad			29	3⅛	5⅝	5⅝	

The Business Column

Why caveat emptor will not suffice

The discovery in mid-March of just two poisoned grapes in Philadelphia was all it took to persuade Britain's Gateway grocery chain instantly to sweep £20,000-worth of Chilean fruit off its shelves.

"Gateway simply could not take the risk of a single case of contamination," the company said. "We will not stock this fruit again until we are absolutely sure there is no risk."

Last week, three weeks after the first press reports that glass, pins and other contaminants had started appearing in processed baby foods, Gateway, Safeway, Sainsbury's and the rest were still displaying products which were suspect.

By any measure, the apparent risk from the person spiking Heinz and Cow & Gate baby foods was many times higher than that offered by whoever was exercising his grudge against the Chilean régime. Yet the risk was allowed to remain.

It could be argued that since the manufacturers' and retailers' response to the affair was heavily conditioned by the police, they cannot be blamed. But appalled parents and the tabloid press have no time for such niceties. Commercial damage seems inevitable.

Established crisis management techniques have not stood up well to their severest test to date in the UK. Recent experience suggests that standard practice can cope only with the most straightforward cases. Two years ago Mattessons Wall's withdrew all supplies of its Peperami salami snack after a salmonella scare, and sent out the clear and simple message: return all purchases for a refund.

More recently, the discovery of mercury in a tub of Dairy Crest butter was handled in the same way. In both cases the products were reintroduced relatively speedily with little apparent harm done.

Manufacturers must limit public distrust

Anything more complex, however, and systems collapse. The egg industry, lacking both a policy and an organisation to act as a trouble-shooter had no defences in the recent salmonella affair, and is yet to recover.

The food industry at large was defeated by the anti-additives lobby during a protracted struggle which has resulted in consumer perceptions of the E number system being turned on their head. Despite international acceptance, additives with the E prefix are now widely mistrusted. The industry was slow to realise the seriousness of the situation, and it was not until the retailers apparently sided with the campaigners that real efforts were made. But it was too late, and again, such crisis management methods as were brought to bear proved inadequate.

In the short term, the industry expects the current baby food catastrophe to be followed by a spate of copy-cat crimes. Longer term, there is unlikely to be any let-up in the cycle of scares and crises, especially since all the events mentioned have contributed — whether deservedly or not — to undermining the population's formerly blind trust in the processors.

While manufacturers prepare plans for investment in new packaging plants, they should also be earmarking funds for management systems to cope with more frequent and more complex assaults on their products, brands, consumers and their reputations.

In the present example, following instructions to help investigations — in the process exposing infants and feckless or uninformed parents to danger — has yet to be shown to have been useful to the police. But it can only have damaged the manufacturers' interests.

It is increasingly apparent that clear, swift action by the baby food makers could have limited this effect and, incidentally, prevented the subsequent fudging of the blackmail investigation by the flood of unrelated tampering incidents.

In this context it is worth referring back to the first major incident in the US in 1982. When poison in Tylenol analgesics killed seven people in Chicago, the manufacturer ignored police advice, and withdrew all stocks. Reintroduced in more secure packs, Tylenol is now the leading pain-killer in the US market.

Christopher Parkes

The no longer secret life of a Swiss banker

David Lascelles talks to Robert Studer, president of the executive board of UBS

The phrase "top Swiss banker" conjures up a variety of images in people's minds, depending on how you balance the typical ingredients of solidity and power with the less flattering ones of excessive secrecy or just plain dullness. Caricatures range from bland, fat men in grey suits to those infamous gnomes who were once thought to be working for Britain's downfall in caverns deep below Zurich.

Switzerland's top banker is currently Mr Robert Studer, the president of the executive board of UBS, the country's largest bank, and he fits none of these preconceptions. With his crisp good looks and engaging manner, a more apt comparison is with some dashing *Skilehrer* or an advertisement for Swiss health food. Indeed, he lists his interests as skiing, jazz, golf and gardening.

His style is relaxed and his English fluent. But Mr Studer is having a rough passage at the moment, and much of this interview was about the problems besetting UBS and Swiss banking in general which have forced him and his colleagues into an unaccustomed spotlight.

UBS's international image, particularly in London, has been tarnished by its clumsy approach to Hill Samuel a couple of years ago when it embarked on acquisition talks with the merchant bank and jilted it at the last moment. More recently, it was shaken by the £115m losses suffered by its securities offshoot, Phillips & Drew.

Both these unhappy episodes might be dismissed as local setbacks in UBS's drive to become, in Mr Studer's declaration to his shareholders, "one of the world's leading international banks." And in other respects his bank is, indeed, continuing to forge ahead. But UBS is also embroiled in wider controversies which are threatening to dispel some of the mystique traditionally surrounding Swiss banking.

There is, for example, the money-laundering scandal in which Swiss banks have been accused of helping drug pushers conceal their ill-gotten gains, and which has caused the downfall of the country's Justice Minister. Swiss banking secrecy is also at issue, though whether you think there is too much or too little of it depends on whether you are the US Justice Department trying to track down crooks, or a millionaire seeking the safe haven of a numbered account. The Swiss Cartel Commission has provided further aggravation by trying to break open the Swiss banks' notoriously restrictive pricing and dealing practices.

Mr Studer is prepared to admit that there has been a loss of mystique. There have been mistakes, he says, and "we were late in adjusting to the new world." But he thinks the damage has been exaggerated. "The discussion of these matters that we see in the papers is not close to the picture that we see — at least from our bank." To scotch any idea that UBS might actually have suffered from it all, he reports that the funds entrusted to its care by clients showed record growth last year.

PERSONAL FILE

1938	Born, Lucerne
1957	Joined UBS
1974	First Vice President
1975	Senior Vice President
1979	Member of Executive Board
1980	Executive Vice President, Head of Financial Division
1988	President of Executive Board

Swiss banks are accustomed to hostility, as Mr Studer has learnt during his 32 years at UBS. Born near Lucerne, he has spent most of his time on the foreign exchange and securities side, with a couple of foreign spells in Beirut and New York, rather than in more traditional lending and deposit-taking.

This has given him a reputation as one of Switzerland's more worldly and aggressive bankers. Much has been made by commentators of his military career: he is an infantry colonel who, until recently, spent more than two months of each year on army duty. But he plays that down. "If you really knew how an army works, you would not draw any parallels with UBS," he says. "By its nature, an army has to be highly decentralised."

When he took over the top post at UBS just over a year ago, Swiss banks were already facing attacks on their secrecy and cartelism, and their time-honoured practices were being exposed to wider moral and judicial strictures. This has forced them to refine their strategies and adopt a more aggressive stance — a role for which Mr Studer is well-suited.

But these sorts of pressures have also been blamed for UBS's troubles in London, where it was making a belated attempt to catch up. If he was buying P&D again, Mr Studer says he would implant much stronger management controls, and bring Swiss efficiency to bear more quickly on the broking firm's chaotic back offices which caused a good part of the losses.

But Mr Studer is unrepentant about taking the plunge in London. "It is our belief that globalisation of banking is going to take place, and it is our conviction that London is the most important financial centre in Europe and will be in the EC after 1992." Although the losses were painful, he argues that they were "reasonable" in the context of the considerable operations UBS now has in the City, and they did not deter his bank from moving into spanking new offices in Broadgate at the beginning of this year.

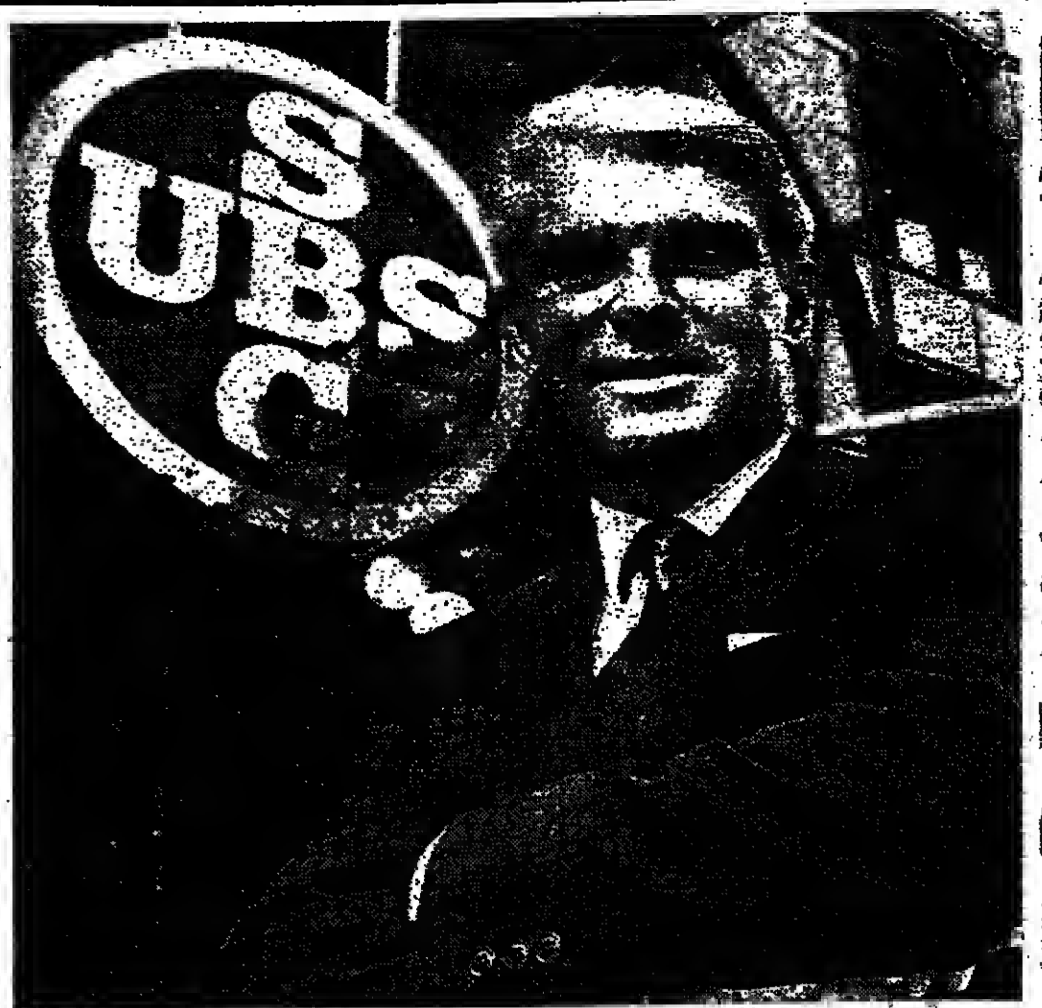
One reason for the firmness of Mr Studer's resolve is his belief that the world is moving towards Swiss-style universal banking: the combination under one roof of the major types of financial service, banking, securities and asset management. London's Big Bang pushed UK banks in that direction, and now deregulation in the US and Japan could have a similar effect in those countries too.

This will give Swiss banks a strong competitive edge, Mr Studer says, because they know how to manage universal banking — P&D notwithstanding — and have the technology to back it up. "We believe you have to have strong logistics to win the war."

Mr Studer also likes to dwell on the "quality" image of Swiss banks and their capital strength. But what of the criticism that the undiscriminating nature of much of the money that flows into Swiss banks enables them to charge high fees without providing exceptional performance?

"It is partly true that Swiss banks are expensive, but that is because we have high equity requirements," says Mr Studer. Since all the world's big banks will shortly have to abide by the same capital rules under a new international agreement he expects price differences to even out. He is more evasive on UBS's investment record because his bank does not publish performance figures. But he says that UBS's mutual funds have done well. "We don't have to fear anybody in asset management. Only some of the London houses are equal to us."

A good part of Mr Studer's time in the next year or two will be dominated by regulatory matters, and the implications of the EC's move towards a single market, a process in which the Swiss can only participate indirectly.



Ashely Ashwood

'We were late in adjusting to the new world'

Many of the pressures amount to demands for greater openness, in co-operating with the investigation of international crime, in the presentation of financial accounts (which currently fall little short of fiction), and in freeing up the Swiss domestic banking market.

Not surprisingly, Mr Studer is wary, scathing even, about many of these demands. While Swiss banks have already co-operated in some of the more notorious cases (in blocking the Marcos millions, for example), they have their own reputation for secrecy to think about, and Mr Studer is firm "that we should not take on the policeman's job." He is also non-committal at this stage as to how much UBS is prepared to reveal about itself in its financial statements, though the decision to disclose P&D's losses marked something of a breakthrough. One factor prodding Mr Studer forward on this front is the relatively low valuation of Swiss banks' shares compared to those of foreign banks, particularly Japanese. Greater disclosure might help, but UBS would also have to follow Nestlé and open its registered shares to foreigners, a step Mr Studer is not yet ready to take.

As for the cartel charges, he describes them as contradictory, and warns that they will drive up costs for the smaller customer, who has been subsidised by profits from big customers in the past.

Mr Studer does not believe that 1992 will isolate Swiss banks; his own is already well established in most EC countries and will be able to benefit from the freedom of movement within the Community. As for the suggestion that Switzerland might even benefit if the EC introduces uniform taxes, driving capital into external shelters, Mr Studer doubts that will happen.

He is much more worried that Switzerland's own taxes, and the tight constraints on the local labour market, will accelerate the relative decline of Zurich as a financial centre, and hasten the transfer of business to more attractive centres, particularly London (despite stock exchange practices there which he describes as "the most antiquated in Europe"). He has threatened to transfer more of UBS's securities business to the City unless Swiss stamp duty is reduced (the Government is proposing only a marginal reduction).

"For UBS as a group we don't care whether business is done here or in London. We go where the customer goes. But chauvinistically, I say it's regrettable. Zurich can never be the number one financial centre, but it must remain in a strong position."

Public disasters and the government's role

JUSTINIAN

Four years ago at the Heysel Stadium in Brussels, when Juventus played Liverpool in the European Cup Final, the failure of the Belgian footballing authorities to observe basic rules for the conduct of matches with regard to sales of tickets and crowd control, compounded by the absence of prompt action by the police when the disturbance broke out on the terraces, contributed substantially to the deaths of 49 spectators at the hands of rioting Liverpool fans. The former head of the Belgian Football Union and the police officer in charge of crowd control were last Friday both found guilty of criminal negligence in the Brussels Palais de Justice.

Fourteen out of the hordes of violent Liverpudlians were sufficiently identified at the end of a lengthy criminal process to satisfy the burden of proof of their guilt of involuntary manslaughter. Their sentences, partially suspended in length of imprisonment and suspended indefinitely in their execution pending possible appeals and call-up to undergo imprisonment, present problems of enforcement; they have already evoked mixed reactions both here and abroad. Delay in the criminal process, time for stoking up natural emotions from the Italian victims' families and from the accused, who have kicked their heels (some of it in custody) for four years, diverse views from commentators about the conduct of the pre-trial proceedings and the trial itself — have conspired to distract attention from the pressing need to provide answers to problems of crowd control over fans, gladiatorially opposed to one another even when geographically separated on the terraces.

The Hillsborough disaster a fortnight ago presents a starkly different picture. True it is, for there is no hint of rampant hooliganism, although there have been allegations of individual misbehaviour, possibly of a minor criminal nature. The public inquiry under Lord Justice Taylor is designed to discover what actually occurred in those few fatal minutes at the beginning of the Liverpool-Nottingham Forest Cup Semi-Final; why it happened; and what lessons can be learned for the future.

At the preliminary hearing in Sheffield on Friday, at the moment that Judge Verlynde was pronouncing judgment in a Brussels court, Lord Justice Taylor announced that he fully intended to comment on his findings before the new football season begins in little more than three months' time. The lessons of Hillsborough, therefore, are to be speedily learned and hastily acted upon.

As with all public inquiries into large-scale disasters — whether it be Zeebrugge, King's Cross, Clapham Junction, Cleveland or Hillsborough — no one is on trial and no apportionment of blame is to be attributed among those who may have been responsible, directly or indirectly, for the violence and unnatural deaths of 95 people. Paradoxically, an English judge will be presiding over a process that is inquisitorial, akin to that operative in the criminal courts of Western Europe.

The lessons of Hillsborough are to be speedily learned and hastily acted upon

The immediate and long-term social benefits from the Hillsborough inquiry are thus apparent. The compelling desire to avoid any future disaster, and to that and to frame urgently a national policy towards the siting of stadia and conditions for audience participation at popular sporting events, is the aim of the inquiry.

The desire (if it exists) to find scapegoats in the shape of the Sheffield police or the Sheffield Wednesday football administrators for maintaining pen coops for spectators is conveniently and appropriately thrust aside, to be addressed (if at all) after the inquiry is complete.

Even if there had been an element of football hooliganism at Hillsborough, and not just the fatal consequences of putting fans in captivity in monkey-like cages that led to the disaster, the foregoing of any criminal process in favour of a judicial inquiry is both correct and instructive.

What benefit can European society be said to have reaped from the protracted trial in Brussels? The pursuit of justice is seen by many merely to have inflicted injustice, whether it be inadequate punishment of the 14 Liverpudlians in the eyes of the citizens of Turin, or an infliction of long-drawn-out anxiety for not just the 14 convicted but their acquitted co-accused.

The Belgian criminal process is neither better nor worse than our own. It seeks to grapple with the inherent problem of ensuring rules that balance the overriding demands of fairness to accused persons and the public interest in bringing to justice those who have transgressed the criminal law. To achieve that balance inevitably is time-consuming. To try a single accused for his responsibility for a criminal event, the facts of which are not overly complex to unravel, makes no excessive demand on a civilised criminal justice system. To put on trial, however, multiple defendants on charges that present major evidential difficulties, even in an age of high technology that can materially assist the forensic process, is a recipe for public dissatisfaction and individual unfairness.

There is no escape from the conclusion that, whenever major public disasters occur, the wiser course for government is to abandon the criminal justice system.

There are other examples where the criminal process will be so cumbersome, so costly, and ultimately so socially unproductive and individually unjust in its ultimate application that an alternative device for solving social problems must be sought.

Hillsborough and not Heysel points up the solution. The latter disaster should have prompted an Anglo-Belgian public inquiry, rather than the invocation of a Belgian criminal trial requiring the support of the English extradition process.

SECTION III

FINANCIAL TIMES SURVEY

INTERNATIONAL BANKING

CONTENTS

Profits are rising, balance sheets are stronger, and the Third World debt problem is slightly less intense. At the threshold of a new decade, says **David Lascelles**, the biggest question bankers must now address is the reshaping of their regulatory environment.

The barriers are falling

BANKERS CAN be a bit like farmers – blaming their problems on the weather, or its financial equivalent. But for once, those arguments do not really wash.

There can hardly have been a time in the post-war period when the banking climate was as favourable in as many parts of the world as it is now. Virtually averywhere, commercial bankers are reaping the fruits of healthier markets. And this is showing up in rising profits, stronger balance sheets and brighter prospects.

Those who relish increased competition can also enjoy the benefits of deregulation, which is slowly but surely expanding their operating freedom in most major markets – though for many of them this is also a mighty uncomfortable process.

The mood among the larger banks can be summed up by some of the epithets used by chairmen in the 1988 annual reports: "An important and good year" (Citicorp); "momentous" (Barclays); "memorable" (Amro); "good" (Hongkong and Shanghai Banking Corporation); "highly satisfactory" (Banco Bilbao Vizcaya).

To be sure, the picture is not entirely rosy. Third World debt continues to be a worry, and some banks have suffered spectacular losses, particularly in the notoriously over-supplied London securities market. The US thrift industry is a big worry. But these are pains for which bankers can only blame themselves: they stem from earlier excesses, and are not the blows inflicted by a hostile world. Besides, neither of these problems poses a threat to the banking system of the potentially lethal kind that had people gnawing their knuckles in the early 1980s.

"The debt problem has lost its sharp edges," says Mr Huib Muller, the Dutch central banker who heads the Basle-based committee of international bank supervisors, which is leading the drive to strengthen the world banking system with new capital guidelines. Those guidelines will be fully in force by 1992, creating a common framework for all the world's major banks.

If bankers do have an immediate worry, it is that the recent disturbing inflation trends and rising interest rates will tip the world economy into recession, and bankers know from experience how expensive a hard landing can be.

But an economic downturn would also provide an early test for the Basle exercise which, Mr Muller says, was partly devised to "reinforce the banks' cushion" against the bumps of the economic cycle. Arguably, most large banks are now better protected, both in terms of financial strength and management awareness against recession, than they were against the last dip in the cycle at the beginning of this decade.

Third World debt could make it worse. Bnt thongh major international initiatives to restore countries' creditworthiness, like the one recently launched by Mr Nicholas Brady, the US Treasury Secretary, catch the headlines, their actual impact is hard to measure. Most of the restorative work – for the banks, at least – is taking place at a more humdrum level where bankers are trying to whittle down their exposure and shore themselves up against loss. Tha business of trading Third World assets is becoming highly developed, and is beginning to show results. Overall bank exposure to the Third World is down hy $26bn, or about 5 per cent.

While prominent hankers continue to offer public support for tbe big initiatives, because it fosters a positive atmosphere, they also say that mnch could be done by technical measures which would enable them to minimise losses from write-offs – which is another way of saying the nnutterable phrase of "debt forgiveness", an issne with which time will inevitably confront them in the end.

As they take longer-term stock of the decade that looms, there are a number of major questions which bankers are having to address, relating to both their markets and their strategy. Possibly the greatest is the reshaping of their regulatory environment. Whether this amounts to de- or re-regulation is a matter of some debate. Developments like Basle certainly impose new burdens. But the overall trend is towards removal of barriers, and the process still has a long way to go.

Although London's Big Bang in 1986, when banks were admitted to the securities business, is now viewed as a mixed blessing, because of the losses it caused, it set off a seemingly unstoppable chain reaction of smaller bangs throughout Europe. Be it Paris, Amsterdam, Frankfurt, Milan, Madrid or Zurich – the talk is of deregulation and reform. Everywhere this affects banks' vital interests, either because it opens up new avenues, or because it sweeps away their protective barriers.

Just a few examples:

- In Switzerland, an attack has been launched on the numerous cartels operated by the banks which protect their pricing, dealing commissions and new issue business;
- In the Netherlands, the ban on banks engaging in insurance is under pressure;
- In Frankfurt, banks are at the centre of the debate about reform of the German stock exchanges; and
- In Italy and Spain, governments are trying to engineer major restructuring of the banking industries.

Arguably, this process is also adding to the pressure for major reform of US banking legislation. Earlier this year, the Federal Reserve Board opened a chink in the Glass-Steagall Act by permitting banks to engage in a limited amount of securities activities through special subsidiaries. This in turn produced the first signs of a similar easing in the world's other great banking nation, Japan.

Although full-scale change may still be some way off in both countries, there has been sufficient movement to prompt visions of banking in the mid-1990s with US and Japanese commercial banks running European-style equities underwriting and dealing businesses in their domestic markets.

This could, of course, be as much a recipe for disaster as tbe great regulatory breakthrough everyone bas been waiting for. But it would reinforce the view that universal banking (the ability of banks to combine a wide array of services under one roof) is in the ascendant.

Bankers want to offer securities services to strengthen their position in the corporate banking market, where large corporations need highly sophisticated forms of finance. But this exposes them to different types of risk. The multinational market is also heavily overbanked. A question for the 1990s will be whether this trend has reached its limits.

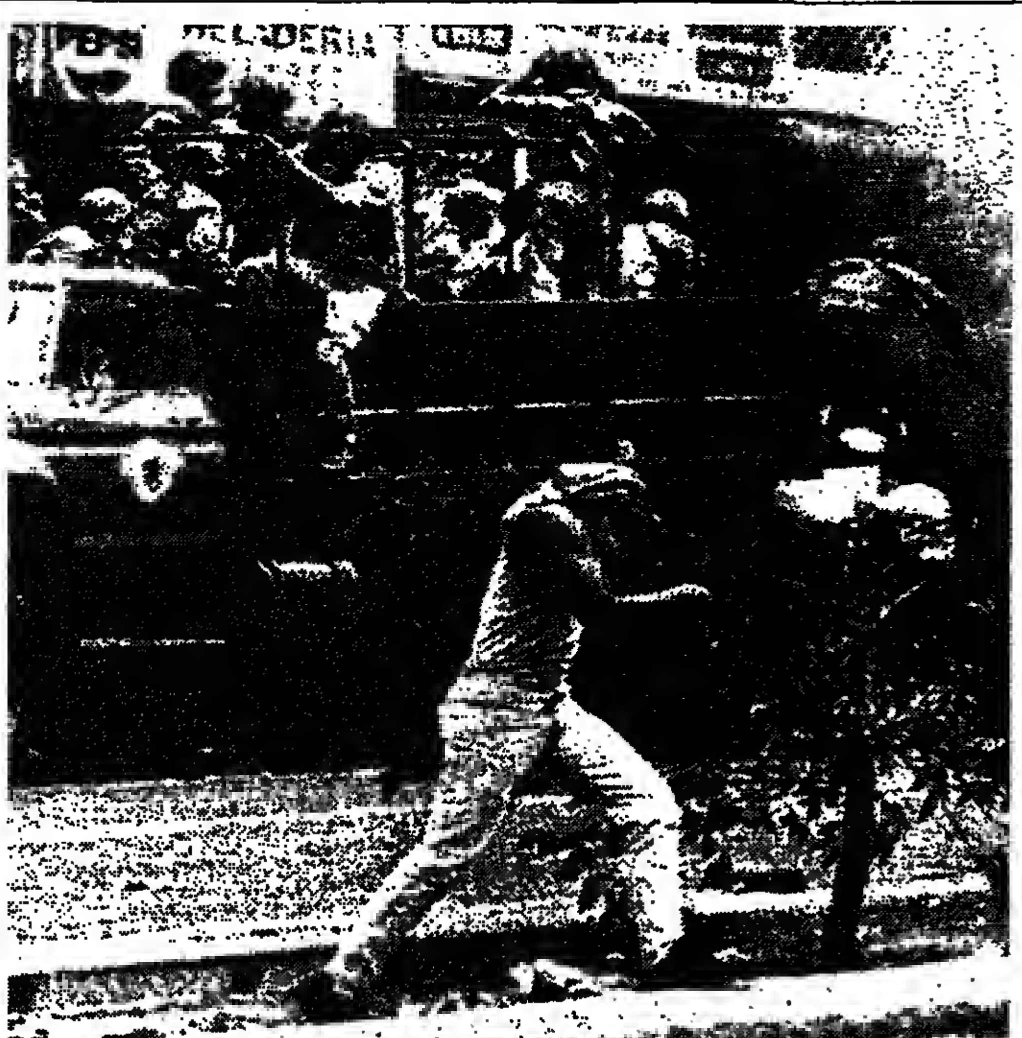
Many people see in deveicpments like the rapid growtb of leveraged buy-out (LBO) finance a symptom of banks' reaching too far into the realms of innovation for their own good.

Though few banks compete any longer in the retail banking business outside tbeir home markets (the few conspicuous players include Citicorp, NatWest, and tbe Japanese banks in California), many of them are turning with fresh interest to their old stamping grounds in tbe high street.

Chastened by nasty experiences abroad, tbey realise that the private individual can be a loyal and lucrative customer, particularly since be now possesses the fruits of the longest post-war economic boom, and needs a wider array of financial services for whicb charges can be made. This bas also increased bankers' interest in related services, sucb as insurance. In the UK, a classic case of a country wbere bankers are rediscovering their bome market, the process has been hastened by deregulation of the building societies and a sharp increase in competition.

For European banks, though, the "home market" may have to be redefined, as the European Community's plan to create an integrated market by the end of 1992 gathers pace. So far, bankers have taken a fairly cautious view, believing that while the Banking Directive will make it easier in theory to expand across EC member state borders, the practical difficulties of assailing a foreign market will remain. No banker bas yet been so bold as to declare his aim of creating the First National Bank of Europe. Nonetheless, 1992 has unleasbed an unprecedented research effort into the European hanking market, and it would be surprising if nothing resulted.

Bankers need new opportunities. While tougher capital requirements and an invigorating blast of competition may be very healthy developments, both will squeeze profitability, and force banks to build earnings and cut costs. The steady emergence of the Japanese banks as a major force on the world scene is another factor putting bankers on their mettle. Times may be better, but that only adds to the throng.



February's riots in Venezuela were a reminder that the debt crisis had flared up again

World economic pointers are discouraging

Forecasts conflict as old spectres reappear

THE WORLD economy appears to have taken a turn for the worse this year.

Last year's surprisingly strong growth in the developed world and the newly industrialising countries of Asia has given way to fears that the current six-and-a-half year old recovery from the recession of the early 1980s may be about to end in the familiar cycle of stop-go.

Inflation has returned to haunt the major industrial economies, forcing interest rates higher from the lows set after the global stock market crash of October 1987.

The international debt crisis has flared up again. Riots in Venezuela, which left 300 dead in February, were a bloody reminder that Latin America and other parts of the developing world have largely missed out on this decade's growing prosperity.

Serious doubts have resurfaced about the viability of the policy mix pursued by the US.

With no sign of compromise between the administration and Congress about cutting the Federal budget deficit, the International Monetary Fund warned recently that continuing strong US domestic demand could trigger a new jump in the US current account balance of payments deficit, with the attendant risks of a sudden drop in the dollar's value and a further twist to the international interest-rate spiral.

The state of international trade remains a worry, despite the successful conclusion early in April of the mid-term talks in the Uruguay Round of multilateral trade liberalisation negotiations. The groundswell of discontent in the US about Japanese inward investment is a potent reminder of protectionist pressures.

For bankers, therefore, the world economic environment is not very encouraging. According to Mr Rod Barrett, banking analyst with London stockbroker Hoare Govett, banks will only prosper against this background if they concentrate on managing their businesses more efficiently, eliminating peripheral activities and reducing risk.

The fact that monetary policy throughout the industrial world is carrying the burden of curbing inflation is of particular relevance to banks.

Over the past year, the Fed funds rate, at which banks in the US borrow and lend reserves to each other, had risen by three percentage points to around 9¾ per cent in mid-April. West German short-term interest rates have about doubled. In Britain, bank base rates were increased step by step to 13 per cent in November, from 7.5 per cent in June last year.

So far, no one can be sure that this rigorous policy tightening, with its attendant risks for the quality of bank assets, is succeeding in choking off excess consumer demand without damaging investment. The economic signals are mixed. Pundits' forecasts for the major economies range from slower growth through increased inflation to recession.

This uncertain view of the world was reflected in the IMF's latest World Economic Outlook report, at the beginning of April. On first reading, it appeared to offer some hope that the industrial world can achieve a soft landing from its present overheated state.

The IMF projected a slight decline in the rate of output growth in the industrial countries, to 2.9 per cent next year from 3.3 per cent this year and last year's very strong 4.1 per cent growth. Consumer-price inflation in the industrial world was projected to fall next year to an average 3.5 per cent, after rising to 3.8 per cent this year from 3.2 per cent in 1988.

But the IMF projections, which are based on the assumption of unchanged policies and unchanged exchange rates, also foresaw a marked deterioration of the global current account imbalance.

The IMF said the US current account balance of payments deficit could jump to $156.6bn next year, from a projected $139.3bn in 1989. It projected a rise in Japan's current account surplus to $93.5bn in 1990, from $84bn in 1989, with West Germany's surplus increasing to $51.2bn next year from $49.7bn in 1989.

Such developments would mark the reversal of the process of reducing current account imbalances between the US, Japan, West Germany and the newly-industrialising economies of Asia. They could also cause international investors to scale down their demand for US dollar assets. That, in the IMF's view, "would involve a significant risk of instability in financial markets, accompanied by high inflation and a slowdown in growth".

There have been many forecasts of such a "hard landing" for the US and world economies in the past, and all have proved to be unfounded. But the IMF's latest warning appeared to reflect a gloomy reappraisal of developments during the spring. These

The growing worry is that markets may regain the upper hand

included the unexpected strength of the dollar, the emergence of upward pressure on long-term interest rates, the apparent stalling of the current-account adjustment process, and signs of persistent inflationary pressure in most industrial countries.

Symptomatic of this reappraisal was the IMF's projection that US consumer price inflation would rise to 4.9 per cent in 1990, from 4.7 per cent this year and 4.1 per cent in 1988. An early draft version of the outlook report, which was circulated among member governments some weeks before, projected a drop in US inflation to 4.5 per cent next year from 4.6 per cent in 1989. The IMF had also revised upwards sharply its projection of next year's US current account deficit from $137.4bn previously.

When the world's finance ministers and central bank governors met in Washington early in April, they appeared to take heed of the increased risks to the world economy.

They backed a US plan to alleviate the debt crisis by encouraging IMF and World Bank support for voluntary debt reduction schemes. Many details, however, remain to be worked out before its likely impact on the debtors and their bankers can be assessed.

Among the world's seven most powerful nations, the US, Canada and Italy promised to complement existing tight monetary policies with cuts in their budget deficits. The G7 surplus countries — Japan and West Germany — for their part pledged to pursue economic and structural policies that would sustain growth of domestic demand. The objective for both groups of countries was to encourage sustained non-inflationary economic growth.

But such pledges were nothing new. They have been a feature of practically every meeting of the major industrial countries since September 1985, when the Group of Five countries — the US, Japan, West Germany, France and Britain — began an era of more intensive economic policy co-ordination with the Plaza Accord to reduce the value of the dollar.

There is little doubt that, since then, the G5 (which later became the G7, after the inclusion of Italy and Canada) has become skilled at influencing financial markets. With the world economy in its present uncertain state, the growing worry among policy-makers is that the markets may once again gain the upper hand.

Peter Norman

The structure of world banking

Profit matters most now

IN THE increasingly deregulated and competitive world of international banking, the big players are having to learn to pay more attention to profitability and less to asset and capital growth. Banks are beginning to realise that in banking size is not everything.

Bill Vincent, bank analyst with US securities house Salomon Brothers in London, believes banks are learning to be less indulgent and more hard-headed. "Until five years ago the only important measure of a bank's worth was assets size. Banks wanted to get bigger — for reasons of economies of scale, corporate prestige, to protect themselves from takeovers — and bank managers were directly rewarded for the amount of assets they piled on to the balance sheet."

The prima method of increasing assets in the 1970s was to increase lending. As the world economy grew steadily, so did lending opportunities.

In the early 1980s the link between asset size and profitability snapped, when so many loans to developing countries and industries such as oil and property went bad.

As banks wilted under the pressure of problem-country loans their attitude to risk changed. Management of a bank by assets was replaced by management based on capital, and capital adequacy became the key element in forming banking strategy.

In the mid-1980s, a strong bank no longer had to be a big bank: it had to be a highly-capitalised bank. "Capital backing became the key measure of

Shareholders, long neglected, are getting more attention

banking strength," recalls Bill Vincent.

The Basle Agreement, of July 1988, underlined the need to strengthen the capitalisation and improve the profitability of the world's leading banks, says Keith Brown, banking analyst with Morgan Stanley. "The emphasis on capital means banks have to concentrate more on profitability. A high level of earnings growth provides banks with a firm base from which to improve, or sustain, their capital positions."

This emphasis on profits is also forcing banks to pay greater attention to that long-neglected species, the shareholder.

"Shareholders are now aware that banks have been asking them for money, yet providing little in the way of returns. So shareholders increasingly want to know what the money is for, and are demanding a better return on their investment," says Keith Brown.

These sentiments are echoed by Bill Vincent, who firmly believes that the management of banks by "shareholder value" will become the dominant force in banking philosophy in the 1990s. "The central aim for a bank should now be to maximise your share rating — get as high a p/e ratio as possible — and produce a high a sustainable return on shareholders' investment."

If a bank wants to continue raising funds for expansion, the argument goes, it has to offer shareholders good dividend growth. And dividend growth can only be guaranteed if profits are also growing.

It is the UK banks which are leading the way in emphasising profits ahead of assets and capital. Lloyds Bank in particular, under the stewardship of its combative chief executive Brian Pitman, is pioneering the concept of shareholder value.

In the US, Australia, Canada and parts of Europe, too, banks are learning to appreciate the need for profitability. It appears that the more open the regulatory environment, the more likely banks are to make profitability a greater priority.

Those most reluctant to embrace the new thinking tend to operate in more regulated, protected systems. West German, Swiss and French banks retain their focus on size and market share. Yet even in these markets there are signs of a gradual change in thinking. The French are talking of investor relations for the first time, and Deutsche Bank recently hosted a presentation for bank analysts in London, an event almost unheard of in previous times.

Japanese banks are also slowly, if reluctantly, waking up to the need to prioritise profitability. Although the competition to amass ever-increasing asset totals appears to be as strong as ever among top city banks in Japan, says David Marshall, of IBCA Banking Analysis, capital adequacy requirements of domestic and international authorities overshadow the future growth of Japanese banks.

As Japan's banks increase equity to meet the new standards, Marshall points out that they need to earn better yields on assets in order to maintain their capital ratios. "Japanese banks are becoming noticeably more concerned about return on assets."

Yet Japanese banks are notoriously slow to change. IBCA's Marshall warns that, "despite the avowed recognition that 'quality' is better than 'quantity', the statistics show few signs of the principle being put into practice."

The new emphasis on profitability is forcing banks to look for more effective ways to enhance earnings.

Cutting operating costs is widely regarded as one of the most effective ways of increasing profitability. Staffing levels in particular have come under closer scrutiny.

Disposing of unprofitable business is another route to greater profitability. Banks are less willing to suffer losses or poor earnings just to establish or maintain a presence in new markets or products. Foreign lending is being cut back by most international banks; the debt crisis of the early 1980s has led to a sharp decline in overseas exposure.

The current malaise in the securities markets, particularly in the UK where overcapacity has led to large losses, is likely to force banks to pull out of equities market-making and broking unless there is a major recovery in share prices and turnover.

Banks are also adopting a more prudent approach to acquisitions. It is becoming more fashionable for banks to forge cross-border partnerships

Banks have lost their preoccupation with size

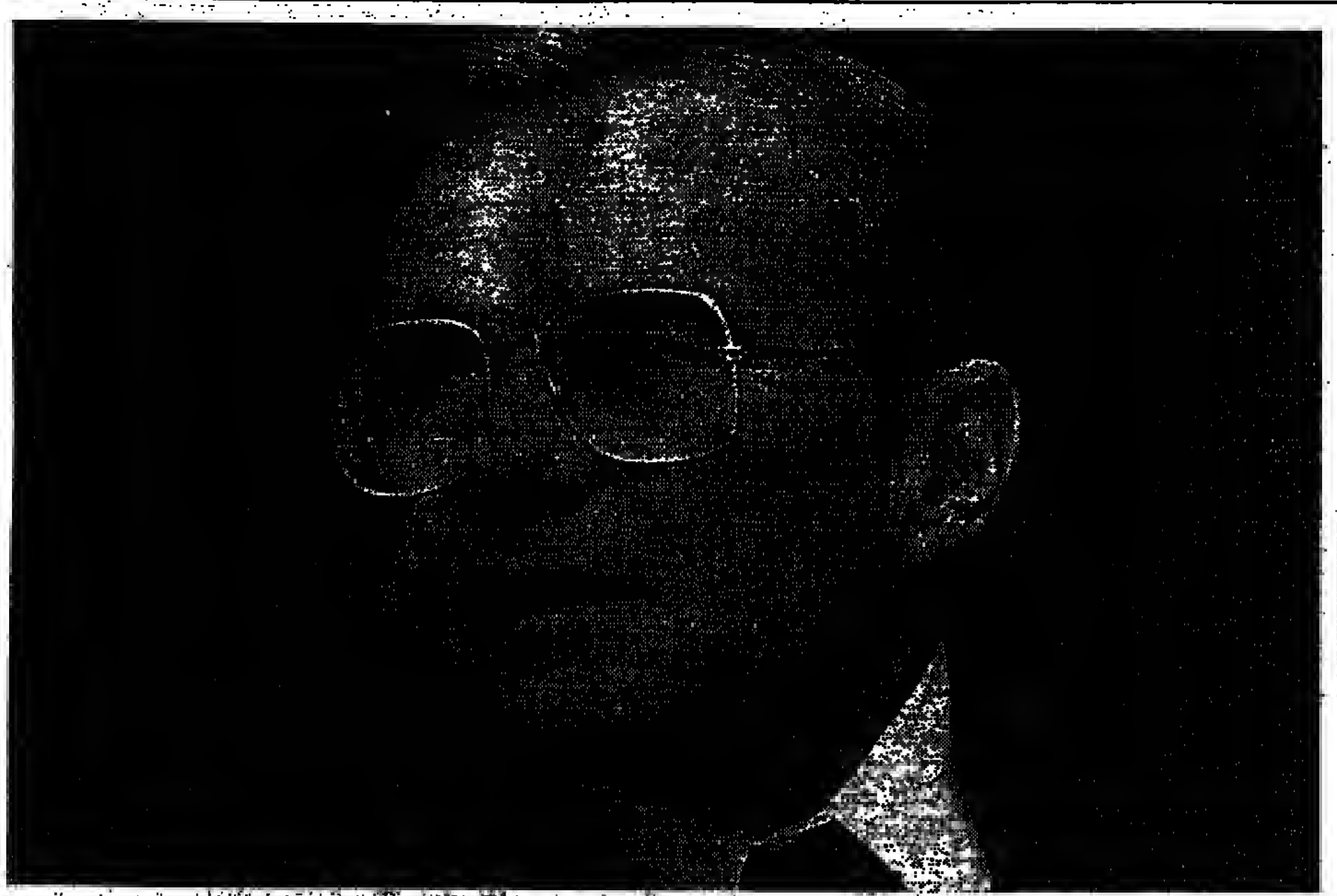
than to move into new markets via outright acquisitions. One example is the link-up established the Royal Bank of Scotland and Spain's Banco Santander.

The process of diversification will also be affected by the drive for profitability. Banks will look to specialise in businesses in which they enjoy the best returns. They will also look to enhance earnings by trading their balance sheet. Assets such as mortgages, credit-card, corporate and sovereign loans will be increasingly traded by banks on secondary markets in the search for a better return on assets.

It would be misleading to say that banks the world over have adopted the strategy of managing by shareholder value. But what is undeniable, is that banks have lost their preoccupation with size and are concentrating more on profitability.

The importance of this change cannot be understated, says Bill Vincent, of Salomon Brothers. Traditional thinking about how to run a bank is being turned on its head. "Banks were once run for the benefit of the staff. Then they were run for the benefit of customers. Now banks are being run for the benefit of the people who own them — the shareholders."

Patrick Harverson



Terry Kirk

Nicholas Brady: the problem, say both critics and supporters, is that the ideas have the appearance of being half-cooked

Third World debt: **Stephen Fidler** examines the new approach

'Light at the tunnel's end'

THE ANNOUNCEMENT on March 10 by Mr Nicholas Brady, the US Treasury Secretary, of a new approach to the developing-country debt problem was one of enormous significance to international banks.

In the words of Mr Shafiqul Islam, of the Council of Foreign Relations in New York, "the Brady speech marks a qualitative break from the past by treating debt reduction no longer simply as an appetiser on the 'menu of options', but as the main course."

Mr Brady called for support from the World Bank and the International Monetary Fund for an accelerated reduction of the debt and debt-servicing burden of Third World debtors that agree to economic adjustment programmes supported by the two institutions. This was to be achieved hand-in-hand with continued new bank lending.

The Brady approach has, in many respects, overturned the Baker Plan

The aim was to huild on the volnntary debt-reduction framework – such devices as debt buy-backs, bonds-for-loans swaps and debt-equity swaps – which had achieved a reduction of about $26bn in developing-country deht since 1984. This usually allowed the country to benefit, at least partially, from the large discounts available on Third World loans in the secondary market.

The Brady approach was presented as a continuation of the Baker principles – a country-by-country, growth-oriented voluntary approach to the problem, which would benefit only countries that would subject themselves to IMF and World Bank conditions.

But in many respects it overturned the Baker Plan. That plan, outlined in 1985 by Mr Brady's predecessor James Baker, envisaged debtor countries' returning to growth with the help of new loans from commercial banks and the World Bank.

The reason the Baker Plan had to be overhanled was that the scale of lending required never arrived, either from the commercial banks or the World Bank.

Indeed, the approach was moving deeper into crisis as country after country plugged its external financing gap by resorting to arrears with commercial banks. While many countries learned lessons from Brazil's confrontational moratorium, they were resorting to the same strategy, but carrying it ont more quietly.

It was suggested that the US administration had accorded the problem added urgency because of national security concerns. While Mexico was seen as a particular problem – the spectre of a surge of migrant workers arriving in the US after economic dislocation in Mexico is said to exercise the National Security Council – there was also a concern that other emerging western hemisphere democracies would be irrevocably damaged.

In Mr Brady's words, debtor countries at least needed to be shown "some light at the end of tunnel". The problem, both critics and supporters say, is that the ideas have the appearance of being half-cooked.

While some highly informal administration estimates suggest that debt and debt-service reduction of 20 per cent could be achieved under the proposals, it is still unknown whether the resources from the IMF and the World Bank to support each country's debt programme will be big anough to bring about significant deht reduction.

Following objections from some countries at the spring meetings of the IMF and World Bank, the question of support for interest rate reduction – possibly the most direct way to address tha problem of the large resource flows out of debtor countries – is still under study.

Neither is it known whether the scale of support that the institutions and other contributors such as Japan will provide will be enough to tempt banks to swap their old loans for the new securities that will be issued in their place.

Given that the whole programme is in a voluntary framework, the banks may simply decide to sit tight, let others take the new securities and enjoy the enhanced quality of the remaining debt. Indeed, in a debt-reduction programme spread out over a number of years, it would be rational for banks to sit out at least for the first year or so, and wait for the discounts on the shrinking stock of old loans to decline.

It is also hard to see – particularly amid worries about the IMF and World Bank bailing out the private banks through the Brady process – how the process of negotiation between debtors and creditor banks can emerge with the result that optimises the intervention of the international financial institutions.

All of this raises the further qnestion of whether expectations in debtor countries have been raised to unsustainable levels.

Mr Brady also suggested that the commercial banks should agree to a general waiver of the restrictive clauses in loan agreements, to allow an intense period – perhaps of three years – of debt reduction.

Legal experts in the field say that while, in a strict sense, a general waiver of all these clauses might not be likely, or even desirable, it should be possible to operate loan agreements to encourage debt reduction. "The aim will be to replace the principle of equality of treatment of all banks with one which gives them equality of opportunity," said one lawyer.

Given the voluntary framework, the banks may simply decide to sit tight

Mr Brady also called for an international examination of regulatory, tax and accounting rules with a view to amending those which stand in the way of debt-reduction. The extent to which this will happen is still not known, and it is difficult to see how banks which are writing down old loans are to be expected to come up with new loans.

Some central banks, for example, acknowledge that easing some of their rules might come into conflict with the prudential requirements they are now applying. Tax rules applying to sovereign debt often apply to other areas of banking.

The Brady approach should, if it works, recognise more convincingly that the interests of international hanks are increasingly divergent. In banks' early responses, a different approach is clearly beginning to emerge.

At this stage, though, with so much unclear, including the ability or willingness of countries to take the economic medicine of the IMF and World Bank, its impact on banks' balance sheets seems likely to remain an unknown quantity for some time to come.

THE BASLE AGREEMENT

Rules permit local leeway

NEARLY A year has passed since international bank supervisors, grouped in the Basle Committee, issued their new capital-adequacy regulations for the world's banks.

Arguably the most important measure affecting the banking industry in modern times, this has given banks the – perhaps unenviable – distinction of becoming the first industry ever to be regulated on a worldwide basis.

Between now and early 1993, most countries will be phasing in the rules, which will subject all banks to the same capital disciplines and ensure that they are competing on more equal terms, at least so far as capital is concerned.

The rules do two things: provide a formula, based on the riskiness of assets, for measuring a bank's capital adequacy; and lay down minimum capital requirements, currently a risk asset ratio of 8 per cent.

Bankers have broadly welcomed the rules, because they should strengthen the banking industry and reduce discrepancies between individual countries' capital rules – an important competitive factor in the past, particularly with the Japanese.

But the rules have also nurtured suspicions that some countries will take a more relaxed approach than others, making life easier for their banks. British banks, for example, have complained to the Bank of England about its decision to introduce the rules in full this year, rather than phase them in over four years.

The Governor, Mr Robin Leigh-Pemberton, said a banker had asked him: "Why do you always lead with *our* chin?".

However, the Bank was one of the prime movers behind the capital accord, and it is determined to set a brisk pace.

Other countries have used the leeway built into the accord to make local modifications. Tha US Federal Reserve Board, for example, has relaxed the capital rules for bank holding companies, because they are not strictly banks, even though their sole subsidiaries may be large banks. This is seen as a bit of necessary rule-bending to help banks through the transition stage when some of them might be below target.

In Japan, whose banks are among the least well capitalised, the Ministry of Finance has also softened the rules for similar reasons. But Japanese banks have raised enormous amounts of new equity in the last 12 months, and are expecting to be able to meet the new rules on time through a mixture of rights issues and earnings retentions.

According to IBCA, the London-based bank rating agency, a number of countries already have, on average, sufficient bank capital. These include the US, Germany, Italy, the Netherlands, Switzerland and the UK. Countries where banks have the greatest leeway to make up include Japan, Canada, Belgium and France.

"We are confident all major countries can implement the agreement on schedule," says Mr Huib Muller, the Dutch central banker who heads the Basle-based committee of supervisors which is overseeing the introduction of the new rules.

Although the Basle rules are fairly comprehensive, their implementation is a matter of constant debate. When French banks wanted to include perpetual debt, rather than equity, in their core capital, the Banque de France agreed, but the Bank of England objected. The matter was taken up by the Basle Committee, which decided the debt did not qualify. Similarly, when British banks wanted to include the proceeds from property revaluations in their equity, a special decision was required from Basle.

Mr Muller says the main benefits of the accord are that it has raised both the quantity and quality of bank capital, and focused the market's attention on the fact that off-balance sheet business (contingent liabilities, for example) contain risk as much as those which appear on the balance sheet.

A careful monitoring process is oow necessary, he says, to ensure that nimble financial minds do not undermine the strength of the accord with clever innovations.

Aside from overseeing implementation, the committee intends to carry its work forward by extending supervisory co-operation into new areas.

Since the present accord covers only credit risk (the danger that the borrower will not repay the loan), there is a case for extending it to cover position risk (the danger that a bank's trading position in the securities or foreign exchange market's may cause it loss through unexpected price movements). Mr Muller is not yet convinced that the committee has a role to play here, but working parties are looking into it.

Major supervisory issues are also raised by the growing trend towards financial supermarketry, where banks conduct several different types of financial service under one roof – securities and insurance being the main examples. This will require greater co-operation between the supervisors of these activities. But neither the insurance nor the securities business has got its regulatory act together at the international level as well as banking, so much groundwork still needs to be done.

David Lascelles

1992 and beyond: **David Lascelles** on the probable strategies

Retail players are likely to acquire or to specialise

KEEN INTEREST tinged with mncb cautiou is the best way to describe bankers' attitudes to the EC and 1992.

As a highly regulated industry, theirs stands to gain or lose much from Brussels' proposals to create an integrated market. But assessments of the likely impact vary, from predictions of far-reaching restructuring, to comments that banking is already very international and that things will probably stay very much as they are.

There are two strands to the story so far. One is the progress being made in Brussels oo plans for an integrated banking market. The other is the banks' response to them.

The Second Banking Directive, which will form the cornerstone of EC banking law, is making its way through the EC legisletive machine. Its main aim is to create the concept of a single banking licence, to enable any bank recognised by one EC member state to operate in all the others without further ado. In order to ensure that states recognise and regulate banks on the same basis, there are additional provisions and directives oo permissible banking activities, capital adequacy, accounting and so on.

Ironically, the most controversial aspect of the proposed legislatioo has little to do with the internal regulation of banks: barring one or two details, the bulk of it is acceptable to all members. The sticking point is a proposal that all non-EC banks should be subjected to a reciprocity test before being granted admission. This would be to ensure that EC banks bave equal access to the noo-EC banks' home markets.

This proposed provision has become the focus for wider fears that the 1992 plan will eocourage protectionist attitudes within the EC. US banks, for example, have denounced it as unfair, and warned that it could provoke retaliatory action by the US authorities against EC banks operating in the US.

But the EC is now proposing to ameod it, to give it less sweeping effect.

However, the reciprocity issue is unlikely to impede overall progress towards the single market. And the question facing bankers is how they should position themselves for it.

If there is a prevailing school of thought, it saye that the wholesale banking markets, where banks deal in huge sums of money for large corporate customers, already effectively operate without national boundaries. And for this end of the business, the removal of country barriers will make little difference. Indeed, the British Bankers' Association has said it will merely remove "irritants".

It will be a different matter lower dowo the corporate banking scale and in the retail banking markets, where there has been little cross-border peoetration by EC banks –

The proposed reciprocity test has become the focus for wider fears of protectionist attitudes within the EC

witness the wide difference in the price of banking services betweeo countries. This is now an area of intense scrutiny by bank strategists.

It is an accepted fact of banking life that the highly personal nature of banking relationships makes it hard for banks to break into new markets. Bankers say that their strategies, therefore, must either be based on acquisition of existing businesses, or on the marketing of services which are unique or have some special attraction, such as low price.

The 1992 plan has triggered very little acquisition so far. Although Deutsche Bank's purchase of Banca d'America d'Italia in 1987 is cited, that occurred before the plan truly got underway. Since then, there have heen some small "mopping up" operations, such as NatWest's purchase of a handful of bank branches in France, and Crédit Lyonnais' purchase of the 18-branch Banque de Commerce in Belgium.

A number of banks have also sought associations through cross-shareholdings, such as the Royal Bank of Scotland with Banco Santander of Spain, and Amro of the Netherlands with Générale Bank in Belgium, an alliance that will concentrate on the Benelux area initially.

Other banks have proclaimed their intention to go it alone, like Barclays Bank which intends to build on its strength in international banking services, and specialisations like credit cards.

Midland Bank is trying yet a different approach by strengthening its network of locally-owned investment banks, such as Trinkaus & Burkhardt in Germany and Euromobiliare in Italy to develop an EC-wide corporate banking capability.

If no overall pattern has yet emerged, this reflects to a large extent diversity of the EC banking industry. Most banks have international ambitions, but few have the option except to build on the structures they already have. There are few purchase propositions on the market, and prices are high.

Many banks are also primarily pre-occupied with protecting their home markets from feared foreign invasions. In Spain, the consolidation of the domestic banking industry has become a major government objective, though only one of the large mooted mergers has so far succeeded. In the UK, the prospect of tougher competition is forcing the banks to alter long-standing practices.

The creation of the single market also has important implications for non-EC banks – even leaving aside the reciprocity issue. There has been a noticeable quickening of interest by foreign banks, notably the Japanese who are steadily extending their presence in EC countries, most recently in Germany where they have set up commercial and investment banking branches.

US banks are well-established in the Community, and the largest, Citibank, intends to advance on a broad front including retail and wholesale banking, investment banking, insurance and information services. But some are reshaping their operations, such as Chase Manhattan which is retreating from retail banking to concentrate on corporate finance.

Aside from geouinely reducing barriers, the 1992 plan is concentrating bankers minds on a market which many of them had previously neglected, believing it to be fragmented and inaccessible. Most international European banks have traditionally been much stronger in North America and the Far East than in each other's markets.

But the single market is also likely to widen the gap between large banks, for whom it opens new possibilities, and the smaller ones which will do best to stick to their local markets. Whether this leads to the emergence of a new strain of super-banks will be one of the interesting points to watch.

David Lascelles

INVESTMENT BANKING

US regulators see 'culture clash' in securities zone

WITH REMOVAL of the legal barriers between banking and securities businesses high on the political agends in the US and Japan, the question of bow well commercial banks handle their investment banking subsidiaries takes on a new urgency.

A report last autumn from the US General Accounting Office, the independent watchdog arm of Congress, provided alarming insights into just that question.

The study was commissioned by members of tbe House Banking Committee considering the repeal of the Glass-Steagall Act, which has barred banks from the securities business since the grest depression.

At the heart of the problem for regulators is whether, in the interests of expanding banks' businesa horizons to allow them more ways to earn money, they inadvertently provide them with a host of opportunities to lose money as well – possibly threatening a bank's solvency in the process.

Among the GAO study's key findings, after reviewing the UK securities house subsidiaries of 18 US commercial banks, was that for the 1986-87 year, all the operations either recorded losses or were only marginally profitable. Indeed, some of the operatiotis recorded losses so extensive that an injection of capital by the parent bank was required.

The most extensive losses for US commercial bank subsidiaries in London stemmed from tbeir involvement in Eurobonds, the business where the greatest investment in capital had been made, according to the GAO. Yet it has only been within the past few months that US firms have begun to throw in the towel, conceding thet too many firms are chasing too little business for Eurobonds to be profitable, even with the ancillary banking business they may bring with them.

Just a few weeks ago, Chemical Bank announced its withdrawal from Eurobonds, while Citicorp has over the past year, pared its staff back to a marginal number of traders and salesmen.

GAO auditors, wbo had access to confidential regulatory reports from the Federal Reserve and the Office of the Comptroller of the Currency, also found that mangement controls were lacking. For instance, the investment banking subsidiaries were plagued by high overhead and expense problems that went untackled, and inadequate credit and market risk analysis procedures were in place. Accounting and computer systems were overburdened, while written procedures for accounting, credit-evaluation and separation of duties were non-existent.

GAO officials concluded that an element of "culture clash" may account for the difficulties the US banks had encountered. "The nature of hanking is entirely different from that of securities," said Allan Mendelowitz, senior associate director, who worked on the study. "Bankers do things slowly and by committee, while merchant bankers are used to taking risks, moving quickly to take advantage of market movements."

And American banks are apparently not alone in their difficulties with investment banking subsidiaries.

Consider County NatWest, the securities subsidiary of National Westminster Bank, which is now the subject of an investigation hy the UK Department of Trade and Industry into its handling of the £837m rights issue for Blue Arrow used to finance the purchase of Manpower. The bank has had losses of more than £160m in a 3½-year period, partly stemming from the Blue Arrow offering, hut also in other key segments of its business.

Union Bank of Switzerland's Phillipe and Drew subsidiary was fined £50,000 in late 1988 by the Securities Association, a self-regulatory organisation, for failing to meet minimum capital-adequacy standards on its reporting date. Furthermore, when its management learned of the breach, it failed to notify TSA, compounding its problems. But at the heart of Phillips and Drew's difficulties was not insufficient capital, but rather, that the firm did not have the management and accounting systems in place to alert it to the fact that something had gone wrong.

However, some banking analysts argue that it may not be fair to jndge commercial banks' success in the securities industry in the current climate. After all, deregulation in several countries – not least of all the UK – have created intense competition, resulting in tremendous pressures on profit margins for independent securities firms as well.

For instance, Morgan Grenfell, a shareholder-owned merchant bank, withdrew from the equities and gilts businesses last December, aacking 450 employees.

And some commercial banks are indeed doing investment banking profitably. Barclays' BZW subsidiary earned pre-tax profits of about £330m in 1988, while Royal Bank of Scotland's Charterhouse unit had a profit of £34m.

Mr John Tyce, banking industry analyst at Nomura International, argues that the explosive growth in the securities industry in the past few years coupled with the deregulation of the Big Bang means that very few institutions are going to be able to earn profits. "It was always going to be a disaster," said Mr Tyce.

In 1985-86, the total capital in London was £250m, Mr Tyce points out, less than is now invested in the UK government gilts business alone – and that business is clearly unprofitable. Since Big Bang, turnover has tripled, the number of employees has more than doubled, and salaries have soared. Thus, despite the increase in business, profitability is down.

Still, commercial banks argue that there are good reasons for them to want to enter the securities business, particularly with lending profit margins pared to just a few basis points for many traditional banking products.

For instance, many banks, eyeing the growing market in securitised financial assets, see opportunities to take their own assets off-balance sheet while earning fees eelling a new product. In particular, US banks would like to offer their mortgages and credit-card receivables in securitised form to eager investors.

While Citicorp is able to offer a Euro-tranche of credit-card recievable-backed securities, it must retain an investment bank to do so in the US.

Others see securities subsidiaries as a way of expanding more traditional bank-lending functions. For instance, mezzanine finance in leverage buy-outs is attracting banks with high margins and hefty fees. But banks are limited in their ability to digest the equity components of those deals by Federal Reserve regulations.

Security Pacific, for instance, increasingly active in mezzanine finance in Europe, is able to share the equity holding with its merchant banking subsidiary, thus enhancing its ability to participate in that market.

Norma Cohen

When in Rome: their bankers like the taste of Europe, too

Correspondent banking: **Andrew Freeman** on its evolution and its future

A business that has to perform

IF THE leading banks have their way, and it seems there is little to stop them, then correspondent banking will rapidly cease to exist in its original form. Indeed, within banks like Citibank and Chase Manhattan, the product is already largely unrecognisable.

The service which grew up in the 1970s, to meet the rapid expansion of trade finance after the liberalisation of international exchange rates, is being subsumed within general banking services to financial institutions.

In the early days, the provision of banking services like simple payments facilities and clearing, and settlement of foreign exchange or securities to corporate clients, involved the setting up of so-called correspondent relationships with banks in other markets.

But as Mr Ron Noakes, deputy head of Midland Bank's global correspondent banking operations, says, defining correspondent banking is crucial to understanding changes in the business. "Our prime clients are other banks. Put another way, we're a bankers' bank."

What little lending there is tends to be short-term financing for trade positions

The list of correspondent banking functions is long, ranging from transmission of funds, via foreign exchange transactions and letters of credit, to trade finance, bill collections and guarantees.

Increasingly, securities handling and custody are also coming under the correspondent umbrella, as banks concentrate management thinking on network control.

Mr Ian Cormack, division executive in Europe of Citibank's financial institutions arm, argues that sweeping developments mean that the definition of correspondent banking needs to be changed.

"We increasingly see a broad customer base which includes all institutions investing in any way through the securities industry. Unlike corporate clients and governments, financial institutions have never been treated as customers. But they are – they have needs and problems, and solving them *can generate profits*," he says.

Examples of clients being helped in novel ways are myriad. Cormack cites the imminence of 1992 in Europe, and says this has *opened up* considerable opportunities for banks to sell innovative services to customers. "Many of our financial clients have structural problems which they need to solve to meet the changes. We are offering software packages which cut processing costs and double handling capacity," he says.

Small wonder Citibank has placed such importance on its financial institutions division – it is now the bank's most profitable area in Europe, earning excellent returns on minimal capital outlay. "The business is a huge consumer of costs, but relatively little capital is involved," says Cormack.

This point is echoed by Midland's Noakes: "It's a service-orientated business, so we spend a lot on computers, systems and communications. Banks have to identify the level of resources they can commit in order to be profitable in what is a very competitive business."

Increasingly, aspects of the business are taking on the characteristics of a bulk service, with the economics of scale attached to any commodity or service. There have been significant developments in electronic systems like Swift and London's Chaps, as well as foreign exchange and securities clearing systems.

This has raised the general quality of correspondent banking products, but has also squeezed several players which have decided they can no longer afford to stay in some services.

For example, Lloyds Bank pulled out of US dollar clearing in New York when it found that it was cheaper to usa Security Pacific. "The key to the business is consistent delivery of service quality," says Citibank's Cormack.

Generally, the returns on capital more than justify the costs. One crucial impact of the Basle agreement is that bank-to-bank risk requires a much lower capital weighting than bank-to-corporate risk. What little lending there is in correspondent banking tends to be short-term financing for trade positions, making sparing use of banks' capital and *involving easily quantifiable* risk.

As the notion of correspondent banks as potential clients has come back into vogue, banks have seen it as a business which has to *perform*. "Historically there was a passive approach to the business, but we have an accurate management of the economics," says Francesca Barnes, head of Chase Manhattan's institutional marketing group. "Consequently, we are looking to exploit opportunities to deliver financial products and services to other banks where we may have a comparative advantage. Equally, in principle we are advised on their servicas by other institutions."

Noakes echoes this: "Once, correspondent relationships were incidental. The business was never really measured; in fact in some banks it wasn't even seen as a cost. Now that has changed. People want to know their costs."

One of the clearest ways the business is changing is in the new emphasis being placed on the cross-selling of products, an area which Midland's Noakes says has been underdeveloped. "That takes you straight back to the problem of how you define correspondent banking," he says. Citibank's Cormack agrees. "In that sense, correspondent banking is a 1970's term."

There is a clear split between those banks which are now firmly customer orientated and those which are product orientated. The US banks want to see correspondent services as part of much wider client relationships, while some UK and European and UK banks have retained the traditional product approach to the business and have concentrated on introducing discipline and risk management.

There is a clear split between customer- and product-orientated banks

Across the market there is a growing tendency for all banks to focus key relationships on a smaller number of correspondents. Sharper knowledge of the costs of various banking relationships allows banks to categorise their partners in a matrix of reward and service.

This, too, plays into the wider focus adopted by leading banks. For example, global custody, the business of securities handling, settlemeot and safekeeping, is more and more coming to be seen as a banking facility which has the same network requirements and similar product characteristics as many correspondent banking services. The heads of many global custody departments now report to the manager of a financial institutions division.

FOREIGN EXCHANGE

Profits might not survive currency stability

THE FOREIGN exchange market is possibly the freest, but certainly the biggest, casino in the world.

With an estimated dollar value of all daily transactions of more than $400bn, it is also one which few banks that aspire both to provide a full range of services to customers and to improve their profitability can afford to ignore.

"The margins are small, but on absolutely enormous volumes," said Mr Chris Ellerton, banking analyst at Warburg Securities. "It is a very profitable business."

But the nature of the business raises questions for bank regulators and investors, and lends new meaning to the phrase "breaking the bank". Trading foreign currencies – and most banks are trading currencies for their own account, against simply executing customer orders related to trade or investment – is risky.

There are some indications in the US of growing political concern over the unregulated nature of the foreign exchange markets. Mr David Ruder, head of the Securities and Exchange Commission has been asked by a Democratic congressman to look into ways to regulate the market, although, given the market's decentralised nature, such a move is not counted likely.

The US Federal Reserve, the US central bank and regulator, last year told Bankers Trust Co, one of the biggest players in the market, to reduce its fourth-quarter 1987 foreign exchange earnings by $80m, to reflect accurately the size of its positions.

In Europe, concern is also voiced by central banks about the scale of banks' foreign exchange operations. According to central bankers, most are worried about the spiralling costs associated with banks' foreign exchange operations, both staff and technology systems necessary for trading and analysis.

"Once the resources have been committed, the temptation is there to use them, and the potential exists to take unsound risks," one European central banker said. "Foreign exchange is getting like securities business. It is more difficult to make a profit from simply speculative trading of the market. Banks need underlying corporate business to trade profitably."

"Speculative" trading is one aspect which also worries bank analysts. They say it increases the volatile element in a bank's earnings, thereby lowering the quality of those earnings.

Mr Terry Smith, banking analyst at James Capel, the big UK broker, said: "A question overhangs the foreign exchange profits of banks: to what extent are they natural, related to trade flows and asset management? And to what extent are they the result of currency speculation? There is a strong suspicion that the level of position-taking is growing."

Margins can be so fine that the risks associated with settlement, the counterpart itself and an untoward move in the market before covering the transaction, are such as to make many think banks are now running the risk of breaking a cardinal rule of the game: taking a principal risk for a broker's commission.

FOREX INCOME AS % OF PRE-TAX PROFITS

	1986	1987*	1988
Barclays	13.75	10.74	8.10
Lloyds	9.60	8.30	8.00
Midland	25.40	30.60	17.30
NatWest	10.90	4.00	5.40
Bankers Trust	11.00	173.40	16.80
Chase	26.50	n/a	18.70
Chemical Bank	21.00	n/a	15.80
Citicorp	24.20	n/a	22.80
J P Morgan	19.70	69.80	14.20
Manufacturers Hanover	8.20	n/a	8.00

*Before loan provisions for LDC debts (UK banks only)

Source: UK banks, James Capel; US Banks, IBCA Banking Analysis

Mr Tom Lockett, foreign exchange director at Midland Montagu, one of the biggest traders of foreign exchange among the major UK banks, said: "We try to be selective and careful that our services are not so finely priced that the business is of little value to the bank or group. We look at foreign exchange on its own, and as a part of the whole banking relationship. We would expect to see a significant amount of our turnover and revenne come from our customer base."

He explains that part of the cost of running an integrated foreign exchange operation, such as Midland, is risk management. "We are looking more and more at the use of compoters and modelling techniques. Management and evaluation of risk is getting better understood, and monitoring techniqnes have improved, in many cases allowing us to assume more risk."

In the recent past, 1987 was counted one of the best years for foreign exchange trading. The reasons are relatively simple. The dollar, which still remains the core currency of international trade and currency-trading, moved in a predictable direction. In 1987, that direction was downwards, although it would probably have still been a good year for the traders if the US currency appreciated, so long that too was predictable.

Last year, and so far this year as well, has not been so good. According to Midland's Mr Lockett: "In 1988 and today the pattern of movements has been uncertain. Central-bank intervention has created a stable market, and there has been a lack of a clear trend. Most have found trading difficult."

And there are indications thet is just the way the central banks want to keep things. One European central banker says:

"Banks can't assume that the cnrrency volatility that they saw over the past four to five years will continue over the next four to five. No one is sitting down aod saying, 'We'll teach the bankers a lesson'; but no central banker wants the volatility of the past four years in the next four. The banks will have to make money out of mora normal banking business."

Political and economic concerns are all pointing in the direction of institntional change, designed to make currencies more stable. At a global level, the deliberations of the Group of Seven major industrial conntries, are in part designed towards this end; likewise, the moves within Europe to bolster the exchange-rate mechanism of the Enropean Monetary System.

Price stability in markets is anathema to traders, who make money by exploiting the opportunities of price volatility. Stability can mean that they have to take larger and larger postions to make profitable smaller variations in price.

If central banks are able to manage nominal exchange rates with the success they have demonstrated over the past year, then it raises the possibility that, at some future date, the profits that banks made from foreign-exchange trading from the late 1970s to the mid-1980s will be seen like an aberration, rather than the norm.

Simon Holberton

Ashley Ashwood

Tom Lockett: 'we are looking more and more at the use of computers and modelling techniques'

Retail banking: **David Barchard** on the electronic alternative

Revolutionary networks

RETAIL BANKING used to be regarded as the dullest form of hanking, and the certainly most parochial. But in the 1980s it has become one of the most profitahle parts of the industry, thanks to the potential unlocked hy technology, which has made it possible to provide services on a scale undreamed of a few decades ago.

Mr Rohin Leigh Pemherton, Governor of the Bank of England, recently told an audience that it would have taken the entire population of the UK to provide retail banking services at today's level using the technology of the early 1960s.

The single most frequent symbol of the retail banking revolution is the automated teller machine (ATM), whicb for the majority of bank customers in the US and Britain has displaced the bank hranch.

In the US, the ATM revolution has been particularly dramatic. Retail banking operations are confined to individual states and, until recently, Americans bad to rely heavily on credit cards to pay for purchases when they were away from home.

However, two ATM networks – Plus, based in Denver, and Cirrus, from Los Angeles – have emerged in the 1980s, to link more than 7,000 hanks across the US. Plus was established hy Mr Dale Browning, of Colorado National Bank, in 1981. Mr Browning turned a regional ATM network into a national one by getting 24 banks to put up $100,000 each, and agree on a common set of standards which would drive the cost of each ATM transaction down from $1 to about 40 cents.

Plus and Cirrus are now used by about 130m Americans a year, and, through the Visa and Mastercard payment systems, they are linking up with other ATM systems that are being organised hy banks in other parts of the world.

In the UK, three separate inter-bank ATM networks have emerged, though Mr John Hardy, head of Link, an electronic payments network that includes most of the country's building societies, helieves tbe number will eventually fall to two networks, or even one.

In the European Community, as a whole, the Commission in Brussels is encouraging moves by the banks to ATM-interoperability as a step closer to "Citizen Europe" in which national frontiers will no longer impose practical restrictions on individuals.

The transformation in retail hanking as a result of electronic technology is only just beginning. It is already beginning to call into question the traditional hranch structure of the banks.

Fewer staff are needed to carry out clerical operations, and these can he performed centrally if desired. Midland Bank, one of the big four UK clearers, is already believed to be planning massive staff-cuts in its hranches, leaving only a relatively small sales team, and processing accounts in regional offices.

Changes are likely to accelerate in the 1990s: even the ATM may become outdated

This strategy is not to everyone's taste. Mr Gordon Pell, general manager for retail banking at Lloyds, doubts whether Midland has got its strategy right: "We don't believe in the factory mentality. We believe in moving head office out to each region, and taking business decisions as locally as possible."

Lloyds does not see this as necessarily keeping costs high. "We have 13 regions and 90 areas directors," says Mr Pell, "hut Lloyds has tbe lowest costs-to-income ratio of any of tbe hig British clearers."

The changes are likely to accelerate in the 1990s, when even the bank ATM may have been outdated. Mr Brian Allison, general manager of Eftpos UK, predicts that bank customers will be able to use the terminals of Eftpos UK at retailers to draw casb (as well as pay for goods electronically) and to read the balance of their account.

National eftpos (electronic funds transfer at point of sale) systems are now being designed in other European countries, with Denmark so far the apparent leader. In Germany, tbere is now a general acceptance that payments systems based on plastic cards will dominated the market, and an experiment in using "smart cards" for payment is under way in Regensburg.

Smart cards – relying not on a magnetic stripe on their back, hut on a microchip built into them – are attractive to bank planners, because they may offer a way round some of the problems that currently constrict the development of retail banking.

Banks want customers to use plastic rather than paper for payment, because the processing costs are much lower. For this reason, the British banks have held down the £50 limit on cbeque guarantee cards since 1977, and introduced dehit cards, such as Barclaya' Connect and the Lloyds' Visa cards, which allow holders to pay electronically or by voucher instead of hy cheque.

However, not everyooe is entirely happy about theae changes or sure that the consumar's hest interests are being protected. in Britain, the Jack Committee on customer-hank relations, which reported in Marcb, recommended sweeping changes in banking practice, including greater protection of the Personal Identification Number (PIN), tbe "electronic signature" by whicb a cardholder identifies himself.

Many bankers believe – as the Jack Committee appeared to – that the PIN system is inherently inadequate. One Britisb firm, Norton Opax, has already produced a smart card alternative, whicb is reasonably cheap (under $4) and enables customer signatures to be recorded and authenticated electronically.

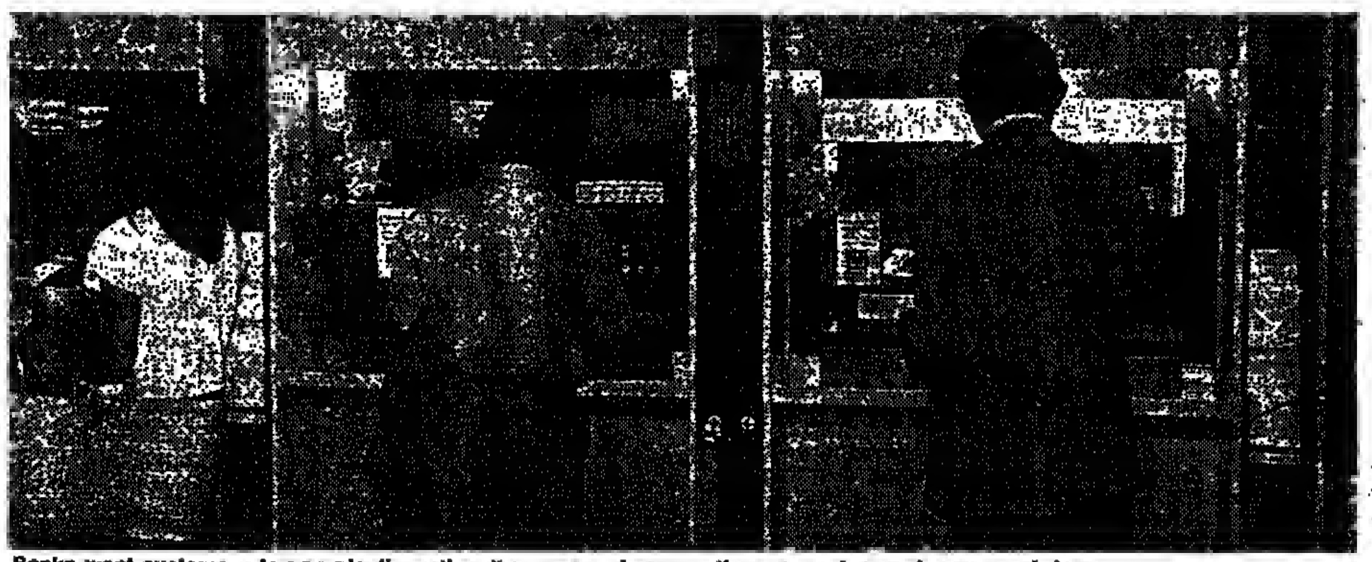
The need for authentication is growing as paper-based banking systems turn into electronic plastic-hased ones. In Enrope for instance, the paper Eurocheque looks certain to be superseded in a few years as a method of drawing by its own plastic guarantee card combined with a PIN.

The glohalisation of retail banking is already producing some surprises. "Through ATMs, we are now coming into direct contact witb the consumer cultures of Italians and Americans, and learning abont their habits and expectations," says Mr Derek Wanless, Director for Retail Banking at National Westminater, the largest UK Bank.

In Europe, integration is also being speeded up by the Commission's goal of a single market hy 1992. in retail banking, tbe area of fastest change after the plastic card is the mortgage.

Rules restricting German mortgage banks to their own country bave been lifted, tbough so far tbe Germans have confined their mortgage activities outside Germany to limited funding operations.

Five French banks and two Danisb mortgage banks are already operating in London. The first British Ecu mortgage was recently launched – by tbe Italian Istituto Bancario San Paolo.



Banks want customers to use plastic, rather than paper, because the processing costs are much lower

CREDIT CARDS

New rules, shuffled pack

THE PAST year has been one of tremendous upheaval for the credit-card industry, with new products, new players and new rules for the game in the international markets.

"We are going through a period of drastic change in all the card markets all across the world," says Mr Pete Hart, who has been president of MasterCard International, since the autumn.

The areas where the major credit-card networks are not represented are shrinking. Banks in Taiwan and several Soviet bloc countries have joined the ranks of Visa issners. More important, the major card networks seem poised for a breakthrough in the previously unwelcoming German market.

In Fahruary 1989, Visa announced that ADAC, the German automohile association, was to offer cards to its 9m members. Until now there has been no large Visa issuer in Germany. Despite the fierce hostility of the large German, Dntch, and Belgian banks, it now looks only a matter of time before they take the plunge and become Visa members themselves.

In establisbad markets, changes have been eqnally drastic. MasterCard has made major gains in the British and Japanese markets. Last month, a gronp of four large Japanese banks announced plans to set up MasterCard Japan, as an offshoot of MasterCard International. The move was part of a broader pattern of growth by MasterCard throughout south-east Asia. in Japan, duality – simultaneous membership hy national banks of both the Visa and MasterCard networks – has arrived. MasterCard's reorganisation there is an attempt to take advantage of this shift.

Duality has also arrived in tbe UK. A year ago, Visa appeared to be well ahead of its rival, gaining oew members steadily while MasterCard languished. The picture has now been strikingly reversed.

All the larger British banks now belong to both networks, and Barclays, wbose name until recently was synonymous with Visa, has now issued its first MasterCard product. Lloyds, the smallest of the four clearers, is already in the market, offering retailers combined Visa and MasterCard services, and Barclays will sbortly he doing the same. National Westminster and Midland plan to take the same route, but it may take them longer.

"Up to now we have been bunting together in a pack," says Mr Andrew Waldman, senior manager for consumer banking at the Royal Bank of Scotland, one of the four banks which own the Access branding in the UK. "Now we are doing different things."

Royal Bank intends to go in for dual merchant acquiring, but – like the other Access banks – it has to be sure its new Visa cards will not compete with its established mass-market cards. The result has been a spate of marginal cards, such as Midland Bank's Indigo card, issued mainly to holders of its new interest-bearing bank accounts.

However, Royal Bank is still co-operating with NatWest and Midland to create a new electronic-only card payment system called Switch. Its critics say it has two disadvantages: it can as yet be used only in a few outlets, and its use is confined to the UK.

Behind the froth of all the changes, there is a single underlying trend: the days when credit card services were easily separable from the operations of individual banks are over

Switcb is a deliberate alternative to Visa debit cards already launched by Barclays and Lloyds Banks. Both have grown rapidly in numbers, though usage is harder to assess. So far nnly limited numbers of grocery stores and petrol filling atations accept Switcb cards.

"Wa believe that, in a few years, retailers will see the possession of Switch as a significant advantage," says Mr Tim Jones, deputy head of card services at NatWest. "Indeed, we think that banks nffering retailers only MasterCard and Visa services will be at a significant disadvantage."

Anotber newcomer to the European scene is American Express's Optima card. Launched in February in the UK and France, it nffers existing American Express customers access to a revolving credit at lower rates of interest than are generally available elsewhere. "We feel that this is a service our customers have been asking for," said Mr Steve Goldstein, UK president of American Express.

American Express's decision to launch Optima in Europe was widely expected, and seen by credit-card organisations as a tacit acknowledgement of the limitations of operating only a travel-related charge card.

Meanwhile, Mr Hart at MasterCard is striving to regain the mnmentum tha organisation lost to Visa in international markets over the last three years. "Our higgest concern," he says, "is that our image has suffered. Now we want equal visibility for our hranding. We need to be a bit more purposeful."

To claw back its place in the market, MasterCard has eased requirements for card design, and modified its ebarging atructure. Merchants using electronic processing will be charged a rate of 1.1 per cent, well below the usual rate for voucher transactions.

Mr Hart's long-term plans for MasterCard in the Enropean markets are keenly watcbed outside the US. Mr Hart's predecessor struck a deal with Eurocard, in which MasterCard allowed exclusive representation in European and related markets to pass of its hands in return for a 15 per cent stake in the European organisation.

The deal, struck at a time when it still looked as if the German banks might be successful in excluding Visa indefinitely from northern European markets, remains controversial. However, Mr Hart appears committed to soldiering on with tha agreement negotiated by his predecessor.

Also in Europe, MasterCard with Eurocard has struck up an arrangement which allows some use by MasterCard holders nf automatic teller machines belonging to the Visa International network.

Behind all the froth of all these changes, however, there is a single underlying trend: the days when credit card services were easily separable from the operations of individual banks are over. Networks such as Visa and MasterCard increasingly act merely as providers of card-basedtransmission services used by the current-acconnt customers nf banks, rather than as independent agencies.

However, since no one has yet found a way of providing reciprocal card facilities between banks without using the credit-card networks, it looks as if they are here to stay.

David Barchard

Technology: **Alan Cane** considers the enormous outlays banks are making on computerisation

On-line systems will keep files up to date

BANKS HAVE become factories for processing information, with money as their product. Thomas Steiner and Diogo Teixeira put it succinctly in a recent issue of The McKinsey Quarterly:

"What used to be a financial business, in which capital and credit skills were the means of production, is moving steadily toward a record-keeping and accounting business, in which processing skills and systems are the means of production."

This new perception of the banks' role in business confirms their activities in information technology, which are today focused in two major directions.

First, the creation of new computer-based files which treat customers, both single and corporate, as individuals with their own characteristics and requirements, rather than as anonymous sets of account numbers.

Another way of looking at this trend is to say that the banks are moving from essentially batch-orientated processing, where data is amassed during the working day and batched together and processed at night, to on-line transaction-processing (OLTP), where information is continnously available to bank staff (and to their customers), and where data is processed as it becomes available. The files are therefore always up to date.

The drawback with OLTP systems is that they increase dramatically the vulnerability of the enterprise to computer failura – hence the rise of

New computer-based files will treat customers, both single and corporate, as individuals with their own characteristics and requirements

companies like Tandem and Stratus, designed to be "fault tolerant".

Mr Charles Exley, president and chief executive of NCR, a US computer company which takes 40 per cent of its business from the financial sector, believes that servicing the banks' move to OLTP will be a rich source of revenue for those computer companies – including NCR, Unisys, DEC and IBM – that the banks know and trust. While NCR has certainly addressed the issue of machine failure, he argues that hardware today is so reliable that it has become a moot point whether it is worth paying extra for fault tolerance.

Second (and in one sense a naturally corollary to the emergence of OLTP with its emphasis on interaction between people and system), the establishment of datacommunications networks to provide electronic channels between bank branches, their correspondent banks and their customers.

It is all hugely expensive. There are estimates that US commercial banks spent some $9.5bn on information technology in 1986, while the industry figure worldwide is over $30bn and growing at 16 per cent a year – considerably in excess of the overall growth of the computer industry today.

There are estimates that US commercial banks spent $9.5bn on information technology in 1986. The figure worldwide is over $30bn

The banks, however, have no real alternative. As the UK Jack Committee, which reported earlier this year on the law and banking services, put it, electronic banking had become the new dynamic for change.

So, for example, National Westminster Bank in the UK is planning to spend a total of £3bn over five years on bringing its customer files up to scratch, while Chase Manhattan Bank of the US boasts of spending £2bn to create a "global service to expedite money transfers, securities clearance and other transactions."

Nevertheless, there is a new mood of caution and prudence among the world's top bankers where information technology is concerned. They want value for money and are not convinced they have had enough of it in the past.

There has, however, been dramatic enough progress in certain key areas to arouse new interest among the more aware bankers. These include:

■ **Relational databases.** A database is simply a computer file of information, organised according to some predetermined scheme for fast and economic access and retrieval. To date, large databases have been hierarchical in nature – fast and efficient for the retrieval of information in well-defined patterns, but poor at loosely defined or random queries.

Relational databases overcome this disadvantaga by storing information essentially as a series of two-dimensional tables, a little like spreadsheets. Different views of the same data can then be created by cross-referencing rows of separate files. Up to now, the problem has been speed. Relational databases from companies like Relational Technology, Oracle, or International have shown impressive potential but mediocre performance, because of the amount of sheer computer-processing involved.

In the past 18 months, this has changed as a string of suppliers have released new versions of their products, which look fast enough to be commercially viable. This includes IBM's proprietary database DB2, which seems set to become the standard across IBM mainframe sites. National Westminster, for example, is planning to install DB2 as part of its systems development programme.

■ **Expert systems.** These are among the first commercial fruits of two decades of research into artificial intelligence. They are software programs which give computer systems the ability to provide apparently reasoned answers to queries put to it, albeit in a restricted area of knowledge.

The big banks are among the earliest users of expert systems. Bank of America, for example, has developed a Letter of Credit Adviser, which it uses to detect and evaluate discrepancies between the terms and conditions of a letter of credit and its accompanying documents. It can be used as a training aid for the bank'e staff.

While, for the most part, the larger banks with many customers are nsing in-bonse skills to convert their processing systems to OLTP and to build their datacommunications networks, there has been renewed interest in banking software packages to automate specific parts of a bank's business.

Internet, for example, a US-based banking software company, has sold its first major system in tha UK to Lloyds Treasury division, a contract worth some $7m. Lloyds means to use the system as the basis of its treasury operations in London, New York and Tokyo.

Some banks, which have invested heavily in software development, have become banking-package vendors in their own right. Citicorp Information Resources, for example, has sold its Comprehensive Banking System to HFC Bank. The system runs on IBM's strategically important AS/400 mid-range computers and PS/2 personal computers. The contract, HFC says, was the result of a two-year study to select a system that would enable it to "meet its goal of becoming a customer-orientated retailer of financial services".

While the largest banks are continuing to develop their own datacommunications networks, there is general relief that Swift II, the advanced messaging system planned by the Brussels-based Society for Worldwide Interbank Financial Transmissions, is after all to go ahead. Problems with the software have been solved to the satisfaction of the management, and it expects Swift II to exceed the high standards set by Swift I.

New services in UK high streets

■ **COUNTRY REPORTS:** ON THE FOLLOWING PAGES, FT WRITERS INTERPRET DEVELOPMENTS IN MAJOR CENTRES, AND PROFILE PEOPLE WHO HAVE MADE NEWS IN THE PAST YEAR

BRITAIN IS known for the great variety of its banks – but also for their varying fortunes. Over the last 12 months, the big clearing banks have enjoyed one of their most prosperous periods since the war. But for the majority of the merchant banks, life has been little short of dreadful. What the two groups have in common, though, is the expectation that 1989 will not be easy.

The Big Four clearers made record profits last year, enjoying the credit boom generated by the long-lasting UK economic recovery. Between them, they earned £4bn pre-tax, which was a striking comeback from the heavy losses of the previous year caused by Third World lending.

But the tell-tale point about the results was the clear sign of deterioration in the latter part of the year. The sharp rise in interest rates engineered by Nigel Lawson, the Chancellor, in his battle against resurgent inflation, squeezed bank lending margins and damped down borrowing demand. This suggests that profits will be harder to come by this year.

But if the operating environment has got worse, there are also deeper changes afoot in the structure of the industry resulting from intensified competition. This was marked by Lloyds Bank's decision, at the end of last year, to extend its opening hours and start offering current accounts that pay interest. The other banks were quickly forced to follow suit, raising the temperature of competition in the retail banking business to new heights.

Although the immediate financial impact may not be so severe, these developments are historic, in that they demonstrate a new readiness by banks to offer their customers the sort of service they have been demanding for years.

Another instance of rising competition is the plan by the Abbey National building society, the UK's second largest, to abandon tha constraints of mutual status, and transform itself into a publicly-quoted bank. Again, the immediate effect of this may be small, but it has put the banks on their mettle.

More than two years after Big Bang, it is still debatable whether it was a good thing

The retail banks' response to these changes has been twofold. One aspect of it is to compensate for declining profit margins by cutting their costs. All the clearers have set themselves ambitious cost-saving targets.

The other is to branch out into new lines of business. These inclnde insurance, where all the banks now provide a variety of life assurance, and property and casualty underwriting or broking services. Linked to the life insurance is an array of investment and pension services, designed to take advantage of changes in regulation.

A striking development was the semi-merger by Lloyds (again taking a pioneering step) with Abbey Life, one of the UK's most successful life insurance companies. Lloyds and Abbey believe that there are large opportunities to cross-sell their products.

In the traditional banking area, the clearers have also attacked the corporate banking market with renewed vigour, concentrating on the neglected small- to medium-size business sector, and establishing new networks of business banking centres. This was an important source of new loan business last year.

But if deregulation is producing its effects on the clearing banks, the merchant banks have less reason to be pleased about the way regulatory changes have altered their business.

More than two years after Big Bang changed the face of the City, it is still highly debatable whether that event was a good thing. The great excesses in investment banking capacity, aggravated by the slump in trading caused by the 1987 stock-market crash, have put many merchant banks in an uncomfortable squeeze, particularly those with securities market-making and broking businesses.

Last December, Morgan Grenfell became the first major casualty, when it decided to call it a day and close down its securities operations after running up unacceptable losses.

Currency: pound	1984	1985	1986	1987	1988
Real GDP Growth %	2.5	3.7	2.9	4.5	3.8
Inflation %	5.1	6.1	3.4	4.1	4.9
Current Account (US$bn)	2.0	4.3	–0.3	–4.1	–25.4
NatWest Trade Weighted Currency Index 18 December 1971 = 100	67.7	69.3	65.4	65.8	71.2
NatWest Real Trade Weighted Currency Index 18 December 1971 = 100	96.8	97.5	95.9	97.5	120.7

Since then, Kleinwort Benson has reported a £17m loss for the second half of last year. Although no other house has followed Morgan to the exit, it is generally thought that further excess capacity needs to be shaken out.

The City squeeze has also hurt the clearing banks through their investment-banking subsidiaries. County NatWest, part of the NatWest group, lost £56m last year. BZW, part of Barclays, made a profit of £23m but still has some way to go before it earns an acceptable return on its capital.

But if banks are to go through a squeeze this year, at least they are in strong enough financial shape to cope. All will have to comply with the new Basle capital rules from the second half of the year onwards, and the Bank of England says it is confident that they can do this.

Further out, banks are also having to address the strategic issues raised by the creation of an integrated EC market after 1992. To some extent, their reaction is defensive: they know that the UK market seems relatively open and profitable to outsiders, and therefore attractive, and this has added to their determination to meet competition head on.

They are being more cautious about advancing abroad. None has so far taken a major step, though there have been some limited moves, such as Royal Bank of Scotland's link with Banco Santander in Spain, and Midland Bank's enlargement of its stake in Euromobiliare, the Italian merchant bank.

David Lascelles

Profile: Peter Birch, of Abbey National

On course for a top-five place

ASK MR Peter Birch, chief executive of Abbey National, if he is a banker, and you will receive an unhesitating "no".

Yet if – as seems virtually certain – Abbey National's stock-market flotation goes ahead this summer, Mr Birch will become chief executive of one of the top five UK banks.

Last month, he celebrated the fifth anniversary of his arrival at Abbey National. He had been headhunted from Gillette UK, where he was managing director. He was at Gillette for 19 years, and spent much of his time abroad in Africa and the Middle and Far East.

He was, he says, attracted to Abbey National "as a dynamic business in its own way with a consistent record of innovation." By appointing him, Abbey National was signalling its intention to venture into regions where no building society had previously gone.

Mr Birch's years at Abbey National have seen the tradition of innovation continne, culminating in the decision, announced in March last year, to become the first building society to shed its mutual status and convert to a quoted company with a banking licence from the Bank of England.

Peter Birch: 'tremendous nostalgia for departing mutuality' *Ashley Ashwood*

Mr Birch admits to "feeling tremendous nostalgia for departing mutuality. This is the biggest step in the history of the society since the merger of tbe Ahbey Road and National building societies in 1944.

"Any significant changes are bound to be controversial, but we are not going to be a bank or a building society in the usual sense. We want to be specialists in tha personal-finance market, looking after the individual customer."

He believes the flotation will enable Abbey National to offer its customers a fuller range of financial services, and on a bigger scale than has been possible in the past. However, he is diffident about the precise form of the changes in the society.

"We have a lot of plans, bnt nine out of ten of them may well fall by the wayside. Diversification is very difficult to accomplish in a niche market. But if we keep overbeads down, distribute our products effectively, and market hard, we are going to do well," be says.

This slightly deadpan description of Abbey National's market strategy is characteristic. Most building society chief executives like to bog the centre stage, but Mr Birch sees himself as something of a back-room boy, running tbe business side of Abbey National, while Sir Campbell Adamson, his chairman, engages in the public debate tbat bas surrounded the flotation.

"Campbell is a high-profile individual and one who does it very well," says Mr Bircb. "My job is running tbe business, witbont which the society can't go anywbere."

However, he sees the flotation as a beginning rather than an end: "Flotation will get us to the starting grid, where we are able to compete on equal terms."

During the last two years, Abbey National's managerial structure bas been overhauled, to preoare it for the transformation, and the traditional building-society culture bas been gradually replaced by a management style more attuned to the needs of a competitive commercial environment.

Abbey National's staff are now set individual work targets for the year, and their performance is used in assessing their salary increases. This, and otber changes introduced by Mr Birch, have been generally popular.

In his private life, Mr Birch believes in regular exercise and set habits as tbe background for an effective business life. "I cycle five miles every morning witbont fail," be says. "And I swim in the open every day for six months in tbe year. I never miss a day."

David Barchard

THE US: Anatole Kaletsky delves below the encouraging figures

Less robust than it appeared

THROUGH THE eyes of a stock-market investor or an accountant, the last year was e vintage one for US banking. In the 12 months to March 31, the money-center banks ranked number one for stock-market performance out of the 87 industry groups tracked by Wall Street stockbrokers Smith Barney, providing a total return to shareholders of 58.8 per cent.

The regional banks' gains were less spectacular, with e total return of 19.3 per cent, just one percentage point ahead of the average for the Standard & Poors 500.

But even this was an impressive performance, considering the events that dominated last year's financial headlines. After all, 1988 was the worst year in US history for bank failures. It was the year when lobbyists finally had to admit defeat in their decade-long effort to repeal the Glass-Steagall Act, the archaic law which keeps US banks out of the securities markets.

And it was the year when credit quality concerns began to seep into heart of US commercial and consumer banking from the exotic fringes of Latin America and the Texas real estate market.

At one level, investors' sudden enthusiasm for benk stocks wes only the mirror image of their disdain during the previous two years. From the accountants' standpoint, the US banks were indeed doing much better in 1988 than they had in e long time.

The 200 largest US banks reported eggregate net earnings of $18.9bn in 1988, against a loss of $2.1bn in 1987 and a profit of less than $13bn the year before. Of course, the losses of 1987 were due entirely to the overdue reserves of more than $30bn in the aggregate which US banks established for the Third World debt crisis. Ignoring this eberrational year, therefore, the banks' underlying return on assets improved to 0.83 per cent in 1988, from the 0.6 per cent reported two years earlier, while return on equity rose to 15.7 per cent from 11.4 per cent in 1986.

Of even more importance than the industry's success in cranking out profits was its ability to boost its capital. Despite the widespread concerns expressed by US bankers about the new international capital edequacy guidelines adopted by the Cooke Committee, and the strong feeling that they were designed in a way highly prejudicial to the US banks, most of the industry has already satisfied the new requirements, three years ahead of schedule. The few US banks that are still below the key 4 per cent ratio of tier-one capital to risk-adjusted assets now seem certain to reach the new targets well before the deadline.

Yet looking beneath the surface of last year's capital additions and impressive profits, the banking industry's fundamentals appeared e good deal less robust. To start with, part of last year's profitability was simply a fiscal consequence of the losses announced in 1987. Under US law, these generated tax-loss carry-forwards which substantially cut tax charges in 1988. More significantly, from the point of view of long-term capital edequacy and performance, last year's profitability came from selling businesses, head office and other assets. Such special items obviously cannot recur each year.

To e significant extent, therefore, the US banks strengthened their capital structures by depleting those

More important than profit was the boost to capital

mysterious agglomerations of assets described so lovingly by their Germans, Swiss and Japanese competitors as "the hidden reserves". In terms of accurate accounting and managerial disclosure, that may be perfectly justifiable, indeed desirable. The fact remains, however, that US bank groups now have less ample cushions to fall back on, if and when some disaster strikes.

The vogue for bank stocks and the growing self-confidence of US bankers is largely dependent, therefore, on two assumptions: that there will be no further credit nightmares comparable with the Texas property or Latin American disasters; and that something will happen to slow the progress of the Japanese and European giants which have emerged from the 1980s as bigger, stronger and more eggressive institutions than all but a tiny bandful of American banks.

Both assumptions remain very much in question. Not only are there new credit concerns on the horizon – ranging from leveraged buy-outs to mortgage delinquencies in prosperous areas like New England consumer. But the Latin American debt bomb is by no means defused – and dealing with it will ultimately be much more difficult for the US banks than for their foreign rivals.

Nearly a third of the year's advance in money center bank stocks occurred in the weeks immediately following the announcement of a new Third World debt plan by Mr Nicholas Brady, the US Treasury Secretary – an enthusiasm which took many policymakers in Washington by surprise. For the Brady Plan, if it is to work et all, will probably require Third World debt write-offs substantially larger than the 20 to 30 per cent reserves set aside by most of the money-center banks.

The plan is already encouraging the Latin American countries to press for debt forgiveness commensurate with the discounts their debts carry in the secondary markets – meaning write-offs in the 50-to-70 per cent range. But, even assuming more moderate losses, the consequences of the Brady Plan could be far more painful for the big US banks than for their foreign rivals.

Keefe Bruyette & Woods, the leading Wall Street bank analysts have estimated, for example, that 40 per cent debt-forgiveness would cost the top US banks between $11.1bn and $2bn in additional loan loss provisions. Establishing such new reserves would diminish most of the banks' capital by the equivalent of 1 per cent of assets. They would then face again the troublesome issue of raising capital without diluting their long-suffering shareholders' existing stakes.

Most foreign banks, by contrast, would have no difficulty coping with the 40-to-50 per cent reserves against less-developed country (LDC) loans which KBW says will probably turn out to be appropriate. The essence of the problem for the US money centres is that, even after the painful reserving action they undertook in 1987, their net LDC loans still amount to between 93 per cent and 199 per cent of equity.

For the big four British clearers, by contrast, the ratio of LDC exposure to equity ranges from 27 to 82 per cent, while for all but one of the Japanese banks it is under 55 per cent. Only the Bank of Tokyo, whose LDC exposure is 104 per cent of equity stands out among the Japanese banks as a potential victim of further LDC losses.

With foreign banks showing few signs of letting up in their determination to court US multinational companies and expand into the worldwide securities industry, it is hardly surprising that US bankers are pinning their hopes increasingly on the domestic consumer and small business markets.

In these markets, however, they run head on into the fast growing, well capitalised and highly rated regional and super-regional banks, such as North Carolina's NCNB, Pittsburg's PNC, or California's First Interstate and Wells Fargo. Indeed, with the increasing prevalence of takeovers, sometimes even hostile ones, throughout the banking industry, some of the super-regionals will probably be bigger soon than most of the erstwhile money-centre giants.

Of course, such corporate giantism could eventually undermine the regional banks' competitiveness and low overhead costs. Even before that occurs, however, further upheavals and shake-outs seem likely.

Currency: dollar	1984	1985	1986	1987	1988
Real GDP Growth %	6.8	3.4	2.8	3.4	3.9
Inflation %	4.3	3.5	1.9	3.7	4.1
Current Account (US$bn)	−107.0	−116.4	−138.8	−154.0	−135.3
NatWest Trade Weighted Currency Index 18 December 1971 = 100	160.3	178.5	167.3	165.8	169.7
NatWest Real Trade Weighted Currency Index 18 December 1971 = 100	113.5	110.7	98.7	90.3	73.5

JAPAN

Brokers lose ground as deregulation talks quicken

IF BASLE, in Switzerland, was the focus of Japanese banks' ettention in 1988, this year they are concentrating their energies much closer to bome.

Last year's chief concern was the measures needed to conform with new capital-adequacy rules fixed by the Basle-based Bank for International Settlements (BIS). In 1989, the main priority is the domestic debate over the future shape of tbe Japanese financial market.

After yeers of piecemeal reform, the Ministry of Finance has quickened the pace of discussion on the central remaining issue in the deregulation of the Japanese market – the separation of banking and securities bnsiness, under Article 65 of the Securities and Exchange Act.

Banks have long been pressing for change in order to break into the Japanese securities markets. But stockbroking companies have fought hard to guard their lucrative preserve.

However, the stockbrokers' position has been steadily eroded by piecemeal changes which have allowed banks into certain kinds of securities business – particularly overseas – end permitted securltles houses to establish hanking subsidiaries abroad.

Moreover, there has been mounting criticism from Japanese institutional investors about the fect that the Big Four securities companies together account for more than 40 per cent of turnover on the Tokyo Stock Exchange.

Earlier this year, the ministry published various proposals for allowing banks into the securities markets. These are being considered by a committee of the Financial System Research Council, an advisory body connected to the ministry's banking bureau.

The committee is likely to support an idea whereby banks

Banks have long pressed for change, to break into Japanese securities markets

would be allowed to establish investment-banking snbsidiaries which could handle securities business – bnt only on a wholesale, not a retail, level.

Once it passed by the Financial Systems Research Council, the plan would have to run the gauntlet of the Securities and Excbange Conncil, a body ettacbed to tbe securities burean and largely representing the interests of securities companies. However, securities companies are slowly coming to the view that, if they continue to block the entry of banks into securities outright, they run the risk of heing exclnded from the discussions.

But, even in the forecasts of more optimistic bankers, new laws are unlikely to be passed before next summer. Investment-banking snbsidiaries might then start to operate in two or three years.

In the meantime, the new standards on capital adeqnacy agreed last summer by the BIS have turned out to be far less terrible than Japanese banks feared. The new rules have merely forced Japanese banks to accelerate changes that they were making anyway to modernise their operations, boost capital reserves and raise profitability.

The banks have already completed the most urgent part of the work required to meet the new standards – that is, raising fresh capital to raise the capital/asset ratio to 8 per cent, the BIS-approved minimum.

Thanks to the buoyant Japanese stock-market, 13 leading commercial banks (that is, 13 city banks including the Bank of Tokyo) were between them able to raise more than Y2 trillion (million million) (£8.9bn) in new equity and convertible bonds – 10 times more than in 1985. As a result, most of the leading banks, heve already met BIS standards which do not come into effect until 1992.

Japanese banks are huge – the 13 city banks, in the year to last March, made combined profits of Y2,100bn, 37 per cent up on the year before. The top five city banks – Dai-Ichi Kangyo, Sumitomo, Fuji, Mitsubishi and Sanwa – are the largest in the world in terms of assets. Bnt profitability is low, with an average net return on assets last financial year of only 0.22 per cent.

To boost profits, banks have slowed the rate of taking new loans on to the books by turning away low-margin business. Asset growth has slowed, from a peak average of about 18 per cent annually five years ago to around 12 per cent now. High-margin loans to small and medium-sized companies now account for about two-thirds of city-bank lending.

International business is growing rapidly, particularly in California and Europe

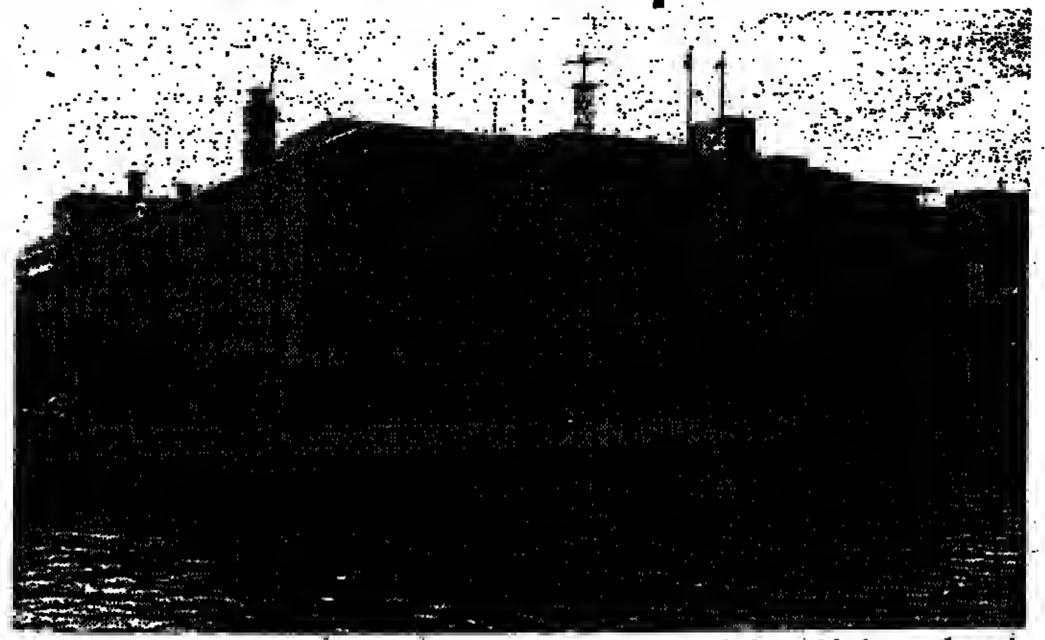
International business is also growing rapidly, particularly in California and Europe. So have fee-earning services, such as mergers and acquisitions work, in which Sumitomo Bank, IBJ, and Long Term Credit Bank are strong.

In the long-term, the quest for profitability is bound to increase competition between banks, and slowly increase the differences between them. The long-term credit banks are well placed, for example, to continue specialising in corporate business. The city banks may have to decide between corporate and retail business, although for the moment the leading companies are expanding in both directions.

For the moment the relative performance of hanks has been masked hy record sales of their long-term securities holdings, prompted partly hy the strength of the equity market and partly by the need to raise funds to meet BIS ratios. But when these sales ease off, the gaps should begin to emerge.

Among the smaller banks, some of the 64 regional banks with secure local customer bases are also well-placed. But small banks in Tokyo and Osaka, competing head-on with the city banks, may find life difficult. Rivalry among medium-sized banks is also set to intensify, following the conversion on February 1 from mutual to corporate status of 52 former sogo, or mutual, hanks. Competition seems bound to lead to mergers.

Stefan Wagstyl



Sumitomo: one of Japan's top five city banks, which are the world's largest in terms of assets

Currency: yen	1984	1985	1986	1987	1988
Real GDP Growth %	5.0	4.7	2.5	4.4	5.9
Inflation %	2.2	2.2	0.8	0.0	0.7
Current Account (US$bn)	35.0	49.2	85.8	87.0	79.5
NatWest Trade Weighted Currency Index 18 December 1971 = 100	159.9	171.5	238.2	269.8	308.1
NatWest Real trade Weighted Currency Index 18 December 1971 = 100	103.9	105.5	132.3	138.1	135.0

WEST GERMANY

Buoyant domestic lending offsets declining margins

LIKE AN express train speeding through a long dark tunnel, the 1988 results just reported by West Germany's biggest banks showed the first signs of light after a dark spell.

True, earnings have not regained the record brilliance of 1986, but they are well ahead of the darker figures posted in 1987, when most of Germany's universal banks were depressed by the October stock-market crash.

The extent of last year's recovery has depended largely on two factors: the degree to which profits plunged in 1987, and the banks' subsequent ability to keep their costs down.

Deutsche Bank, Germany's biggest financial institution, posted the best increase, with a rise of almost 12 per cent in group partial operating profits, to DM3.1bn (£1bn). Dresdner Bank, the second biggest bank, managed a 4.9 per cent rise to DM1.6bn.

By contrast, partial operating profits at Commerzbank, the third biggest bank, fell 4.3 per cent to DM1.05bn; while down in Bavaria, Bayerische Vereinsbank and Bayerische Hypotheken- und Wechsel Bank (Hypobank), both posted small falls.

However, full operating profits, which include gains from own-account trading, were higher across the board. None of the banks reveals its precise figures, but all reported rises, ranging from almost 5 per cent at Commerzbank to over 30 per cent at Deutsche Bank.

As usual in German banking, the figures require some interpretation. Deutsche Bank's apparently splendid increase has to be seen against its particuarly weak performance in 1987 - a year in which neither Dresdner Bank nor Commerzbank suffered quite so badly from the crash. Seen in those terms, the 20 per cent increase in Dresdner Bank's full operating profits for 1988, is arguably the more impressive.

Currency: Deutsche Mark	1984	1985	1986	1987	1988
Real GDP Growth %	3.0	2.0	2.5	1.7	3.6
Inflation %	2.4	2.2	-0.2	0.3	1.2
Current Account (US$bn)	9.8	16.4	39.1	45.0	48.0
NatWest Trade Weighted Currency Index 18 December 1971 = 100	169.8	175.3	196.2	212.6	219.7
NatWest Real Trade Weighted Currency Index 18 December 1971 = 100	97.3	97.7	99.8	101.9	92.5

Both Dresdner and Deutsche Bank were helped by relativelly low increases for personnel costs, a factor which bit heavily into profits at Commerzbank and the two Bavarian institutions. All three attributed the cost rises to the continuing price of expansion, which they claimed was now largely behind them. However, the effect on profitability in 1988 was clear.

Buoyant domestic lending, particularly to private clients, on the back of Germany's higher-than-expected 3.4 per cent economic growth last year, lay behind much of the profits surge. Mr Wolfgang Röller, chief executiva of Dresdner Bank and current chairman of the German Banker's Federation, described 1988 as "the year of credit business".

The sharp rise in lending volume throughout the industry largely compensated for the continuing pressure on margins reported by all the banks, a trend which has continued into this year. Nevertheless, results for the first two months of 1989 suggest that continued buoyancy on the lending side will again more than compensate for declining margins.

Fee income presented a mixed picture. With shares dull for most of last year, commission incoma on aquities slipped at most banks. By contrast, most banks benefited from the surge of investor interest in Deutsche Mark Eurobonds and foreign-currency denominated paper as a result of Germany's new 10 per cent withholding tax. The effect was a particular boon for hanks like Deutsche Bank, which have set up new Luxembourg-based investment funds concentrating on such tax-free paper.

The improvement in profits last year barely reflected that fact Germany's banks have been going through a period of unprecedented change. Two themes have been most prominent: the challenge of the European Community's free internal market after 1992; and, more immediately, the continuing development of "Allfinanz" – wide-ranging financial services under one roof.

The improvement in profits last year barely reflected that fact Germany's banks have been going through a period of unprecedented change

Deutsche Bank'a groundbreaking decision in December to set up its own life insurance business has been followed by a string of news, notably the exclnsive marketing link announced in March between Allianz, Germany's biggest insurer, and Dresdner Bank.

With both Dsutscha Bank and Dresdner Bank committed to clear, if very different, approaches, the focus has shifted to Commerzhank to define its Allfinanz strategy. Rather than working with some 25 separate insurance companies as at present, the signs are that it may soon be forge a closer link – possibly involving an equity stake – with one gronp, although wider co-operation may be entirely sacrificed.

The challenge of 1992 is more diffuse, although Germany's biggest banks have for some time been trying to put together the pieces of for their future European networks.

Deutsche Bank, which is by far the most advanced, completed another part of its jigsaw after gaining permission from the Spanish authorities to take a majority stake in Banco Comercial Transatlantico earlier this year.

Growth in France is proving more difficult for all three of the big German banks. All would like to acquire or take stakes in French banks, but their plans have been put on ice on account of the highly political nature of foreign bank takeovers. As a result, organic growth of existing French operations seems to be the name of the game – for the time being, at least.

Meanwhile, there has been increasing debate in Germany about the "power" of the banks in recent months, with ths spotlight falling firmly on Mr Alfred Herrhausen, the speaker (chief executive) of Deutsche Bank.

While always highly respectful of his talent and energy, the German media has been full of faintly criticial material about Mr Herrhausen, who is portrayed as immensely capahle but worryingly ominipresent on the financial and industrial scene.

The bank has acconced a campaign to aharpen np its image, which it says research has shown to be somewhat "diffuse" in the puhlic eye. Internal bank communications are also to be improved. How much the decision has to do with the adverse attention recently drawn by its chief executive is left unclear.

Haig Simonian

1988 KEY RESULTS OF GERMAN BANKS (DMbn)

	Partial operating profit	Interest income	Fee income	Total assets
Deutsche Bank	3.1	6.71	2.42	305
Dresdner Bank	1.6	4.11	1.50	231
Commerzbank	1.05	2.97	0.99	180
Bayerische Vereinsbank	0.88	1.48	0.39	183
Hypobank	0.98	2.17	0.35	135

Helmut Guthardt: 'we have respect, but not necessarily recognition, of our size'

Profile: Helmut Guthardt and DG Bank

Co-operatives' umbrella is not yet fully opened

SEVEN years ago, in a profile in the Financial Times, Mr Helmut Guthardt, then still in his first months as chief executive of Deutsche Genossenschaftsbank (DG Bank), stressed that his goal was not to make the bank into a direct rival of West Germany's big quoted financial institutions, but to retain its special character as the umbrella body for the country's co-operative banking system.

That character, in which DG Bank acts as the liquidity manager for Germany's 35,000 co-operative banks, which are owned by some 11m depositors, has not changed.

What has altered is its growth into a full-scale universal bank, with an active equity and bond business, as well as a widespread international network. With total assets of DM135bn in 1987, DG Bank is now the sixth biggest bank in Germany.

If plans unveiled by Mr Guthardt last August go through, it could soon become bigger still. He has argued that Germany's five co-operative central banks, which act as regional co-ordinators for the retail co-operative banks scattered around the country, should merge with DG Bank to create a more efficient and competitive system, especially in view of the challenges from both domestic and forforeign rivals after 1992.

The proposal has had a mixed reception. Three of the five central banks – which act as the middle tier in the German co-operative banking system, sandwiched between the retail institutions at the bottom and DG Bank at the top – have voiced approval. However, two, including Westdeutsche Genossenschafts-Zentralbank, the biggest of the five, are vehemently against. The scheme remains in the melting pot, at least until a special meeting of representatives of the co-operative system later this year.

A similar willingness to take the bull by the horns has characterised other proposals by Mr Guthardt during his years in the chief executive's chair. Take the decision last year not to pursue talks to buy a 75 per cent stake in Volksfürsorge, one of Germany's biggest life insurers, from the country's trade union movement.

Buying Volksfürsorge would have consolidated DG Bank's position in the insurance business, where the co-operative banks already have a controlling stake in R+V, a leading insurance group. Links between banks and insurers have been gathering pace in the past two years as German banks have become increasingly convinced of the merits of "Allfinanz" – wide-scale financial services under one roof.

Market research showed Volkfürsorge would have been "very complementary" with R+V, says Mr Guthardt, not least because of its broad coverage in urban industrial areas where the co-operative banking network is at its thinnest.

However, the deal fell through owing to an unwillingness on Volksfürsorge's side to consider changes to pay and conditions, which the bank argued were essential to bring it into line with other insurers. In a terse statement, DG Bank tactfully withdrew from the talks.

Despite that setback, Mr Guthardt is convinced the bank is now fully accepted as an equal by the country's financial institutions, despite a tendency to dismiss it in the past. Partial operating profits for last year will probably be somewhat down on the DM573m earned in 1987, but full operating profits, which are not disclosed but include gains from trading on the bank's own account, should be around the same level.

"We have reached the level of respect, but not necessarily recognition, of our size," Mr Guthardt says. What still grates is DG Bank's "unsatisfactory" allocation in many of the large and entrenched lending and underwriting syndicates, which still dominate many German corporate finance relationships.

Even in the huge new-issues market for federal government bonds, DG Bank still only has an 11 per cent quota, despite regularly placing around 18 per cent of the paper thanks to its access to the huge liquidity in the co-operative system, says Mr Guthardt.

Things are changing, he reckons, with the bank getting a bigger slice of the cake, both in newer domestic consortia and in foreign deals. However, breaking into established groups is much harder work. With issue sizes limited, "it's very difficult to take something away from others," he says ruefully. For all its growth under Mr Guthardt, DG Bank probably still has some way to go.

Haig Simonian

Profile: Jean-Yves Haberer

Return of an exile

Jean-Yves Haberer: a graduate of the nursery

NEITHER HIS civil service career nor his taste for monetary theory would seem to cut Mr Jean-Yves Haberer out for the role of victim of the right and favourite of the left.

Yet in 1986, when the right-wing government of Mr Jacques Chirac came to power, Mr Haberer's was one of the first heads to roll, replaced at the head of the investment banking group Paribas by Mr Michel François-Poncet.

And in 1988, when the Socialists returned to office, Mr Haberer was rapidly rewarded with the chairmanship of Crédit Lyonnais.

Born in Morocco in 1932, Mr Haberer followed the classic path of the French high-flyer: the Paris political sciences institute Sciences Po, the civil service college Ecole Nationale d'Administration, the government finance inspectorate and then the Treasury.

An adviser to Mr Michel Debré at the finance ministry from 1966 to 1967, Mr Haberer followed him to the ministries of foreign affairs in 1968 and defence in 1969, before returning to the Treasury.

As Director of the Treasury from 1978 to 1982, he filled a post viewed by many French bankers as rather more prestigious than that of the minister of finance himself: he succeeded Mr Jacques de Larosière, former managing director of the International Monetary Fund and now governor of the Bank of France, and was succeeded by Mr Michel Camdessus, former governor of the Bank of France and now managing director of the International Monetary Fund.

But his spell in office coincided with the arrival of the Socialists in 1981. A long-standing friend of Mr Jacques Delors, named as the new finance minister, Mr Haberer presided over the devaluation of the franc and the imposition of exchange controls, before leaving to take over at the head of the newly nationalised Paribas in 1982.

"The Treasury in France has always been a nursery for the banks. The day I entered the Treasury I knew that, one way or another, I would end up in a bank," Mr Haberer said at the time.

His spell at Paribas was not universally praised. All the same, he doubled its profits in four years, and in 1986, on the return of the right-wing government, was widely viewed as one of the safest of the chairmen of nationalised banks. He paid, nevertheless, the price for some solid enmities built up both in the reorganisation of Paribas and before at the Treasury; and went off into a two-year exile, though remaining honorary chairman of the group.

Seven months after his return to the banking front line, he has set himself the same target for Crédit Lyonnais that he achieved at Paribas: the bank's new three-year plan aims to double profits by 1992.

At the same time, he is putting the finishing touches to an adjustment of the Crédit Lyonnais's organisation, as he did at Paribas, and before that at the Treasury.

"I am passionate about organisation, so I devote a lot of time to problems of organisation, but like all those who believe in organisation, I am both pragmatic and sceptical. I have no system. I try a form of organisation, and if that does not work, I change it," Mr Haberer has explained.

Despite the kind words he and Mr Jean-Maxime Lévêque addressed to each other on the handover at the Crédit Lyonnais last year, Mr Haberer has been quick to differentiate himself from his predecessor with the announcement of the bank's results.

Net profits fell in 1988 by 7 per cent to FFr2.06bn (£186m), as a result of losses of FFr603m at the London securities arm, Alexanders Laing and Cruickshank, and also a heavy increase in bad debt provisions.

Already criticised for under-provisioning Crédit Commercial de France, which he chaired before its nationalisation in 1982, Mr Lévêque had cut bad-debt provisions at Crédit Lyonnais in 1987.

Mr Haberer has moved swiftly to reverse the trend, doubling sovereign debt provisions and reaching a rate of cover of 51 per cent on Crédit Lyonnais's exposure to 62 risk countries.

"After seven or eight years in which debt problems were treated by rescheduling, we have arrived at a moment where creditors will be asked to abandon debts – governments, but also commercial banks," Mr Haberer explained.

At Paribas, Mr Haberer used to say how much he enjoyed driving the only sports car in the French banking system. Now that he is at the wheel of one of the system's heavy lorries, he has a second chance to show off the criticism that he is a better civil servant than banker.

George Graham

FRANCE: finding a bank to buy looks almost impossible, says George Graham

Customer loyalty remains high

Currency: franc	1984	1985	1986	1987	1988
Real GDP Growth %	1.5	1.4	2.1	2.2	3.6
Inflation %	7.4	5.7	2.5	3.3	2.7
Current Account (US$bn)	−0.8	−0.4	3.0	−5.3	−3.9
NatWest Trade Weighted Currency Index 18 December 1971 = 100	85.8	89.4	95.6	99.1	100.7
NatWest Real Trade Weighted Currency Index 18 December 1971 = 100	86.3	87.5	146.8	147.6	131.7

FOREIGN BANKS looking at France face a problem: how to penetrete e market already thoroughly covered by domestic branch networks.

Direct marketing techniques, such as those pioneered in France by the Compagnie Bancaire with its consumer credit, leasing and insurance subsidiaries, may be one answer. Most bankers believe, however, that this approach would only allow them to skim off a tiny, though possibly profitable, proportion of business.

Alliances with a French institution may be another option, but the domestic partner is always likely to keep the dominant role.

Finding a bank or a network to buy, meanwhile, is likely to prove almost impossible, as in most other European countries – the UK may prove to be an exception, because of the possibility of floating building societies.

With some 25,000 bank and savings bank branches – one for every 2,150 inhabitants and every FFr170m of gross domestic product – France is not the most overbanked country in the EC; but the major consumer banking networks, along with the Post Office, still cover the territory thoroughly, and over 99 per cent of the populetion already possess a current account.

A recent study by Banque Indosnez shows that tha four largest French banks have 12 per cent of the domestic market, compared with around 8.5 per cent for the four largest in the UK or West Germany, and around 5 per cent for the four largest in Italy or the Netherlands.

Customer loyalty is high, helped by traditions such as home-loans conditional on long-term savings accounts, although many bankers say it is diminishing.

This structure has left many banks, admitting to being overweight in their branch networks and somewhat overstaffed, seeking ways of improving their cost/activity ratios by widening their product range. Insurance has been the main focus. Crédit Agricole led the way with sharply rising sales of life insurance policies, and Banque Nationale de Paris (BNP) has gone a step further with a global cross-marketing agreement with Union des Assurances de Paris (UAP), the leading French insnrer, cemented by crossed shareholdings.

Listening to the average Paris banker, you might wonder why an outsider should want to try the French market: the impression given is that there is hardly a single sector where yon can still make an honest living; unless, of course, that is simply rhetoric designed to discourage the foreign competition.

Margins on corporate lending have been pared to the bone, and bankers curse the inventor of the multiple option facility, whose annual commitment fees are rarely enough to remnnerate the capital required under new prudential ratios to offset the potential risk.

As for securities operations, many banks rue the day they thought of buying a London stockbroker

Current accounts are a heavy load to carry, for despite the FFr1,250bn of interest-free deposits they bring in, they entail the cost of handling some 5.5bn cheques and 1.4bn debit card operations a year. Attempts to introdnce bank charges on current accounts have so far been foiled by e combination of consumer outrage and governmental pressure. If they ever succeed, they are likely to be offset by the simultaneous introduction of interest payments on current accounts.

Popular capitalism hrings little joy: France'e estimated 6m direct shareholders pay a brokerage commission on average between a third and e sixth of the true cost of processing their stock-market orders.

Commissions are supposed to be deregulated in June, but once again a wave of popular complaint seems likely to prevent brokerage costs from being passed on in full to smaller customers.

Mutnal funds, meanwhile, carry some of the lowest entry and management fees in Europe: for the money market funds which account for nearly 60 per cent of France's FFr1109bn of *sociétés d'investment à capital variable* (Sicav) unit trusts, there is usually no entry fee, and the annual charge can be as low as 0.15 per cent.

As for securities operations, many French banks rue the day they first thought of buying a London stockbroker.

Some American banks have tasted the competition and not liked what they tasted: Chemical closed its Paris operation, while Chase Manhattan sold its Paris headquarters and cut back its activities to concentrate on corporate customers.

French banks do make profits, nevertheless, yet the competitive pressures are mounting rapidly, and not just from foreign incomers. Retailers, for example, have begun to look seriously at the financial services market.

Deregulation has alreedy taken its toll. The expansion of bond and equity financing in the 1980s, as well as the more recent but rapid development of the commercial paper market, has cut the rate of bank intermediation in the financing of the French economy from 78 per cent in 1981 to 48 per cent in 1987, yet French banks still derive much more of their earnings from interest margin than their British, West German or Italian competitors.

The new prudential ratios to be imposed both by the EC and by the Bank for International Settlements, meanwhile, will force most French hanks to increase their tier 1 capital – essentially equity – if they want to continue to expand their activity.

This poses a particular problem for the nationalised banks, since the Government still appears unrelenting in its stand against any further privatisation. Mr Pierre Bérégovoy, the Finance Minister, has for the time being ruled out new issues of ordinary shares, while investor appetite for non-voting certificates of investment is slender.

But if Mr Bérégovoy's edict is unbending on the question of equity sales, he appears to be much more flexible in his attitude to banking strategy. He may, perhaps, have been bruised by the defeat of the assault on Société Générale, the privatised bank – an assanlt which he hacked, though it was led hy private-sector financiers.

In any event, French bankers, both publicly- and privately-owned, now appear to have a greater degree of latitnde than in recent years for developing their own strategies, as well as e greater degree of disagreement on what is the right line to follow.

ITALY

Signposts to a landmark year

Currency: lira	1984	1985	1986	1987	1988
Real GDP Growth %	3.5	2.7	2.7	3.1	3.8
Inflation %	10.8	9.2	5.9	4.7	5.0
Current Account (US$bn)	−2.5	−3.7	2.5	−1.0	−5.0
NatWest Trade Weighted Currency Index 18 December 1971 = 100	44.7	44.0	47.3	49.4	50.4
NatWest Real Trade Weighted Currency Index 18 December 1971 = 100	96.5	95.4	93.6	96.4	93.4

PERHAPS IT is the incessant talk of 1992 in business, political and media circles; maybe it is the intensive hehind-the-scenes pressure for change from the Bank of Italy...

Or possibly it is both these and other factors that have combined to persuade the Italian banking community that it could face trouble in the near future, unless action is taken to restructure and modernise the predominantly state-owned system.

Whatever tbe reasons, the past few months have seen a series of merger, acquisition, joint-venture and recapitalisation moves tbat, taken together, suggest that 1989 could be a year of landmark change.

The reasons why change is needed in Italian banking are easily identified: the system of 1,200 banks and 12,000 branches is fragmented and often overlapping, with some of the highest cost structures in Europe. Staffing levels are bloated; the payments system is so inefficient that it can take up to a month to clear a cheque; customer service is generally shoddy; and party-political interference can range from the appointment of politicians to top banking jobs, to the handing ont of loans to entrepreneurs associated with one party or another.

On top of all this there are very few Italian banks that can boast significant international expertise, or much of e role in the Euromarkets.

The central bank has been prodding hankers behind the scenes to reorganise and recapitalise. Mr Carlo Aeglio Ciampi, Governor of the Bank of Italy, is said to carry around a new "map" of Italian banking in his heed. One central banker, speaking of the Bank's moves to loosen up restrictions on branching, or to stimulate a more competitive culture in banking, said the idea was "to inject enzymes into the banking system, to press bankers to modernise before the 1990s".

Prof Romano Prodi, who, as chairman of the IRI state holding group, oversees three IRI banks (Banca Commerciale Italiana, Credito Italiano and Banco di Roma), says that "Italian banks need a completely new strategy which includes strength at home in branches, major cost savings and better foreign coverage".

The strategy behind this year's wave of merger activity is aimed at creating what the Italians call "poly-functional" banks, or institutions that act as holding companies for commercial banking, medium-term corporate lending, securities business, investment banking and financial services including insurance.

The strategy behind this year's wave of merger activity is aimed at creating what the Italians call 'poly-functional' banks

The most significant of the restructuring operations now under way include plans for an alliance between the cash-rich San Paolo di Torino, a Turin-based commercial bank, and Crediop, Rome's state-owned medium-term corporate finance and investment banking group.

San Paolo has 750 branches up and down the Italian peninsula, one of the most able and least politicised managements in the country, and an established position in international capital markets, and especially in the Ecu bond market. Crediop has $2bn of cash, a network of solid corporate clients and a profitable investment-banking business.

Another possible alliance could develop between Credito Italiano and Banca Nazionale dell'Agricoltura (BNA), the biggest private sector bank, which is controlled and run by the stubborn Count Giovanni Auletta. If Lucio Rondelli, Credito's managing director, succeeds in both buying a sufficient minority stake in BNA and in persuading Count Auletta to join forces, then a Credito-BNA link could create an important bank in the northern-central regions of Italy.

A third plan, to bring together Banca Nazionale del Lavoro (BNL), the biggest state bank, and INA and INPs (respectively the state insurer and state pension fund), may make business sense, but it is prey to the vicissitudes of Rome politicking.

The problem in Italian banking is that it is not enough to lay out a sensible business plan: political interference is a very real danger and potential obstacle to progress.

Another typically Italian problem is the continuing demand by big industrial concerns, such as the Fiat group, that they be allowed to buy control of banks. Governor Ciampi has said repeatedly that the practice in all other western nations has shown that, when industry owns banks, there is a real danger of conflicts of interest.

The Senate has recently passed a law (still to be approved by the lower house of parliament) saying that industry may own no more than 20 per cent of any given bank. But determined and cash-rich industrialists, such as Mr Gianni Agnelli, of Fiat, would like to wave away such limitations, or at least get together consortia of industrial companies that could own banks collectively.

It may seem surprising outside Italy that the nation is still engaged in a serious debate about whether or not it is a good thing for industry to control banks. And the level of debate is so low that leading industrial figures are able to claim in public that the control of banks by industry is a universal practice in other countries. Such factual inaccuracies are not even queried in the media.

Foreign banks have a love-hate relationship with Italy. When it comes to underwriting a big state-guaranteed Euromarket issue, the foreign institutions are ready and willing. But many of the 37 foreign banks operating on the ground find that, without a deposit base, it is costly to fund loans on the lira interbank market.

Citibank and Deutsche Bank have taken the lead in acquiring Italian banks, and at premium prices. But Deutsche Bank does not appear to be doing very much with its 99-branch Banca d'America e d'Italia (BAI), which surprises those Italians who thought the 1986 acquisition would lead to major expansion.

The Japanese – both banks and securities houses – are among the most active newcomers, opening offices in Milan and cultivating contacts among potential clients at a frenetic pace. But some foreign banks, most notably the loss-making Barclays, cannot seem to achieve the right mix of overheads and clients needed for success.

Alan Friedman

CANADA: **David Owen** on the good news and the apprehension

Expansion may be ending

AFTER THE traumas of 1987, the Canadian banking industry bounced back with a vengeance last year.

For the year ended October 31, the Big Six domestic industry participants reported aggregate profits of C$3.26 bn (£1.6bn) to soothe the memory of their C$534.5m (restated) combined 1987 loss. Then, massive loan loss provisions of close to C$3.5bn had pushed all but Toronto Dominion deep into the red. In 1988, profits outstripped even the prior year's exceptionally good operating earnings by 14.4 per cent.

The good news has generally persisted into the first quarter of the present fiscal year, with five of the six reporting strong earnings advances of between 20 and 120 per cent.

On a less positive note, depressed securities markets meant that three banks were obliged to endure losses at their recently-acquired investment dealer subsidiaries.

Bank of Montreal (BMO) was the odd man out in the first quarter, reporting a 2 per cent year-on-year profit decline. This largely reflected a C$45.7m increase in provisions set aside for bad loans. The bank's relative position remains less than enviable, since it has both the highest exposure to LDC debt (at 87 per cent of common equity) and comfortably the lowest growth rate of domestic loans and mortgages among the Six.

With assets at January 31 of C$76 bn, BMO is poised to be overhauled by Bank of Nova Scotia (BNS) as the country's third largest bank. Mr Matthew Barrett, the incoming chairman, will evidently have his work cut out if the bank is to keep pace with its peers in the years ahead.

With domestic interest rates at their highest level since October 1984, Canadian bankers are scanning economic indicators with increasing diligence for signs that the country's second longest post-war expansion may be running out of steam.

Concern is mounting that the rising cost of money may finally reduce demand for loans and push the most highly-leveraged companies to the wall. This apprehension is keenest among those who have participated most heavily in lucrative leveraged-buyout financings. Slower growth is not expected to prevent the banks from ringing up another bumper year for profits in 1989, however.

Third World loans are a further source of worry for some, although the banks' exposure relative to their common equity base has come down markedly in the last two years. In early 1987, the Big Six had more than 130 per cent of their equity at risk in the Third World. This figure has now been whittled down to less than 50 per cent.

After BMO, those with the most relative exposure are BNS (75 per cent of common equity), National Bank (61 per cent) and Royal Bank of Canada (58 per cent). For Canadian Imperial Bank of Commerce (CIBC), less-developed country (LDC) loans are no longer thought to pose a significant problem.

Among other subjects currently exercising the minds of Canadian bankers are the steep rate of increase of non-interest expenses (which rose by 10-to-15 per cent across-the-board in fiscal 1988, due partly to securities dealer acquisitions), and the uncertain progress of Ottawa's stalled financial services deregulation.

The Government recently pledged that new legislation covering banks, trusts and insurance companies would be ready by the summer. This followed the expiry of a previous draft bill, introduced in December 1987, with the dissolving of parliament ahead of last autumn's general election.

The legislation is expected both to clarify the extent to which financial institutions with commercial links must be widely held, and to detail the degree to which banks, trust companies and insurers will be permitted to encroach on each others' turf. The controversial expired bill would have required financial companies with commercial links and more than C$50m in capital to have at least 35 per cent of their stock widely held within five years.

Ottawa's hand may be forced in its latest attempt to formulate legislation by the rapid deregulation of financial services undertaken by the predominantly French-speaking province of Quebec.

Quebec, which was the first province to allow financial institutions in its jurisdiction to participate in the securities business, is actively encouraging financial and commercial businesses to "comingle". Already, trust companies with a Quebec charter can be wholly owned by non-financial corporations.

A glimpse of the possible ramifications of the rapid pace of Quebec's deregulation was afforded recently when Montreal Trustco, an institution with assets of C$10.2bn and 165 branches and offices across the country, received federal approval to surrender its federal charter for a Quebec one. The move paved the way for a C$875m offer for the company from Montreal-based BCE, Canada's largest commercial conglomerate. Montreal Trustco was previously 63.8 per cent held by Mr Paul Desmarais' Power Financial.

Currency: Can. dollar	1984	1985	1986	1987	1988
Real GDP Growth %	6.3	4.3	3.3	4.0	4.5
Inflation %	4.3	4.0	4.2	4.4	4.1
Current Account (US$bn)	2.1	-1.4	-7.6	-8.0	-9.2
NatWest Trade Weighted Currency Index 18 December 1971 = 100	85.7	82.9	79.1	82.1	89.0
NatWest Real Trade Weighted Currency Index 18 December 1971 = 100	90.2	97.5	88.0	89.0	93.3

Profile: Richard Thomson

Not one of the crowd

Thomson: 'be out of phase'

WHEN THE Canadian Government requested changes in bank service charge policies last summer, only Toronto Dominion, of the Big Six, did not comply.

The decision, though surprising to many, was entirely in keeping with the independent bent which the bank has exhibited under Mr Richard Thomson's stewardship.

The TD – Canada's fifth largest bank – has stood apart from the crowd in a variety of ways during the lean, bespectacled Mr Thomson's 11 years as chairman. These have ranged from its handling of the Third World debt and securities business issues to its financial performance, which has long outstripped that of its peers.

In the quarter ended January 31, TD produced a return of C$1.29 per C$100 of assets, against C$1.02 for its nearest rival, National Bank. Quarterly profit rose 34 per cent to C$195.8m (£96.9m). The bank, which is the only North American bank holding company rated AAA by Moody's, entered 1989 with its common equity to assets ratio at an all-time high. Assets now stand at C$61 bn.

From his inordinately spacious office on the 11th floor of a Mies van der Rohe tower block, Mr Thomson, aged 55, proffers a disarmingly simple explanation for the TD's propensity to find original solutions for its problems. "You cannot make a lot of money if you are doing everything the same as everybody else," he says. "You have always got to be slightly out of phase with the crowd."

The bank has certainly been well out of phase in the rate at which it has reduced its Third World exposure by selling loans to troubled debtors on the secondary market. With exposure now down to 9 per cent of common equity, the bank regards less-developed country (LDC) loans as a discontinued business. Mr Thomson is "very pessimistic" about whether most such loans will ever be repaid.

The LDC debacle is one reason why the bank has pulled in its horns of late to concentrate on North American business opportunities. Fully 94 per cent of assets are now concentrated on the sub-continent, down from 80 per cent in 1983. "It is hard enough to be a good lender in your own community – and it gets harder the further you go from it," Mr Thomson, a Winnipeg-born engineering graduate and Harvard MBA, remarks.

Deceptively soft-spoken, he nonetheless minces few words when commenting on subjects about which he feels strongly. One of these is the ownership of financial institutions by commercial entities. Canadian regulations governing this area are currently in a state of flux.

"We believe that commercial and financial links should not be mixed," he says, citing the importance of ensuring the impartiality of credit allocation to justify his position. "The potential for conflict is just unbelievable," he adds. "Once you go down that line, it means everybody really has to have their own bank. Why would anybody ever finance a competitor?"

Mr Thomson, whose hobbies include golf and skiing, also has some forceful points to make on leveraged buy-outs (LBOs), a market which the TD (in common with several of its Canadian peers) has entered with some enthusiasm.

"I think we are going to have some casualties," he predicts. "Whether the casualties will cause a loss to commercial bankers is another matter."

In assessing LBOs, he feels, analysts have erred in underestimating the reaction of corporations to "a highly leveraged and therefore potentially sick" competitor. "A lot of competitors," he adds, "have taken a predatory approach, reasoning that it may not be a bad time to cut margins."

David Owen

AUSTRALIA

Gloom fuels talk of a shake-out

HAVING EXPERIENCED one of the fastest and most comprehensive deregulations of the OECD countries, Australia's banking and financial sector appears close to a turning-point in its evolution.

Already it is evident that financial institutions are having to review their activities and strategies, shutting down some operations, specialising in others. Despite a surging domestic economy and buoyant demand for finance, competition has remained intense.

Just as important, the after-effects of the 1987 crash have demanded major adjustments. Some banks have been embarrassed by their heavy exposure to collapsed companies, and the gloomier economic outlook ahead is fuelling expectations of a larger shake-out.

As last year, the principal focus of attention in the medium-term remains the uncertain future of the federal government-owned Commonwealth Bank, the weakest of the Big Four trading banks. The question springs from the Labor government's refusal to inject much-needed capital.

Two possibilities arise: privatisation, or takeover by one of the other three – Westpac, the ANZ group or National Australia Bank (NAB). But the Government has put off deciding its overall sell-off policy, and even a takeover seems unlikely in advance of the general election that is due before the middle of next year.

The Big Four are therefore concentrating on their existing business and on expansion outside Australia. Record profits are again expected when they shortly report interim results for the six months to March, and the sharp increases will come on top of equally impressive gains in 1987-88.

The most important reason is Australia's booming economy, but the banks have also benefited from a cut in the corporate tax rate, better control over costs, good margins and reduced pressures from smaller competitors. Their performance, helped by dividend imputation changes, has brought a rise in bank share prices, which the banks have used to raise more capital.

Regarding expansion, it is now generally agreed that the NAB's £420m purchase of the Clydesdale, Northern and National Irish banks in 1987 has been a great success and an example to others. Latterly, the NAB has been interested in making an acquisition in the US, and in acquiring the Bank of New Zealand (BNZ), since withdrawn from sale.

The ANZ was also interested in BNZ, and has spent NZ$665m (£238m) buying New Zealand's Postbank (formerly the government-owned Post Office Savings Bank). The Commonwealth has expanded in New Zealand, too, by purchasing the ASB Bank (formerly the Auckland Savings Bank) for NZ$252m.

At home, the Big Four now have around 80 per cent of the market, with the state banks (owned by Australia's state governments) taking another 10 per cent, and the remainder divided np between the newer Australian banks (like the Australian Bank or MacQuarie Bank), other domestic banks formed by conversion from building societies (a process which is continuing), and the 15 foreign banks.

The banks generally have now built up a 65 per cent share of the total assets of all financial intermediaries, against 13 per cent for merchant banks, 9 per cent for finance companies and 6 per cent for building societies. But many believe Australia is now "over-banked" – another reason why they expect some sort of shake-out.

Currency: Aus. dollar	1984	1985	1986	1987	1988
Real GDP Growth %	6.5	5.1	1.6	4.6	3.0
Inflation %	3.9	6.7	9.0	8.5	7.2
Current Account (US$bn)	-8.6	-8.7	-9.6	-8.5	-10.7
NatWest Trade Weighted Currency Index 18 December 1971 = 100	80.9	66.0	54.0	52.0	55.5
NatWest Real Trade Weighted Currency Index 18 December 1971 = 100	97.9	82.6	73.1	74.8	88.7

Recently the State Bank of Victoria took over the Australian Bank, into which it hopes to back its merchant banking arm Tricontinental. There was also an unsuccessful attempt to merge the New South Wales-based Advance Bank with the Western Australia-based Challenge Bank. And the State Bank of New South Wales remains a sell-off candidate for the local state government.

As for the 15 foreign banks which acquired full banking licences in 1985, questions persist about their poor performance. Only Citibank, Chase Manhattan (which linked up with the AMP Society, Australia's largest insurance group), Royal Bank of Canada (which linked up with another life office, the National Mutual) and Bankers Trust are felt to have made serious headway.

In the increasingly crowded merchant banking sector, the tale is sorrier. Among local groups, Rothwells, Equiticorp and Spedley have collapsed. Three foreign groups – Chemical Bank, Bank of Montreal and Mellon Bank – have effectively withdrawn from Australia altogether, and a fourth (Morgan Grenfell) has slashed operations.

On the regulatory front, Australia has further advanced the process of deregulation begun in 1983, when Labor came to power and surprised everyone by floating the Australian dollar and lifting exchange controls – a shift that established Sydney as an international financial centre, revolutionised domestic banking and stimulated major changes across all economic sectors.

In the latest changes, the Government has abolished the distinction between trading and savings banks and aligned their required assets ratios, and has begun to phase out the system of statutory reserve deposits and replace it with non-callable deposits.

In a separate move, the Reserve Bank has issued new capital-adequacy guidelines for Australian banks, in line with internationally-agreed standards. Banks in aggregate are said already to have a capital ratio in excess of 9 per cent, above the 8 per cent minimum, and the authorities say the guidelines will cover 80 per cent of the assets of all financial intermediaries.

Chris Sherwell

Profile: Banca Catalana

Providential acquisitions

BIG BANK mergers have held the headlines in Spain and, amid the major realignments, less attention was paid to the absorption last October by one medium bank, Banca Catalana, of another, Banca Mas Sarda - although the development appears extremely significant in Spain's fastest growing area, Catalonia.

The expanded Banca Catalana has become the biggest bank, in terms of deposits, investment portfolio and profitability, in Barcelona. Its chairman, Mr Alfredo Saenz, has told shareholders that Catalana aimed to be "the premier institution centred on the Catalan economy, and dedicated to its service." The ringing declaration was not without ironies.

Banca Catalana was founded in the 1960s by Mr Jordi Pujol, Catalonia's nationalist leader and the President of its autonomous government for the past eight years, with the express intention of servicing the Catalan economy. Mr Pujol, however, fell victim to Spain's banking crisis at the end of the 1970s after he had resigned from Catalana's chairmanship in order to dedicate himself to politics. Catalana collapsed in 1982.

One irony is that Mr Saenz, who now echoes Mr Pujol's words, is a Basque and not a Catalan. Another is that, if Mr Pujol's dream of a great Catalan bank is to be fulfilled, it will not have been because Catalans have made it possible but because of the merger of the two Basque banks, Bilbao and Vizcaya.

"Pujol ran a bank that worked for Catalan culture and for political nationalism," says one Barcelona financial expert. "Now Catalana is run according to strict profitability criteria."

Banco de Vizcaya first rescued Catalana on behalf of a pool of private banks, and then exercised its option to buy it outright. Bilbao acquired Mas Sarda in 1986, when it was running into losses.

The two acquisitions proved to be providential. Creation of the merged Basque bank, Banco Bilbao Vizcaya (BBV) early last year, was followed up by their decision to bring together their two Catalan subsidiaries. Catalonia finally had a financial institution with a muscle that reflected the area's economic potential.

Mr Alfonso Saenz was a senior manager at Vizcaya's Bilbao headquarters when he was moved to Barcelona to run Catalana in 1983 at a time when the bank had irretrievable paper assets worth Pta110bn and doubtful assets totaling Pta30bn.

The turnabout was achieved in less than five years. In 1986 Catalana was back in the black with profits of Pta1.1bn, and raised them to Pta3.6bn in 1987. Provisional figures for 1988, indicate that Catalana made Pta9bn in pre-tax profits.

Last year Vizcaya covered a Pta15bn capital increase for Catalana and then floated 15 per cent of it on the Barcelona stock exchange. This year Catalana plans to pay its first dividend for the first time in seven years, and 12 months earlier than originally planned.

With the Mas Sarda takeover, Catalana's branch network was increased by 55 offices, all but two of them in Catalonia, to 437. Catalana now has total assets in excess of Pta800bn, a significant sum given the concentration of its resources in Catalonia.

Catalana's key advantage is its strong identification with economically-buoyant Catalonia, an area conscious of its national identity. Although BBV holds 86 per cent of the expanded Catalana's equity, the bank's Catalan identity has been systematically fostered over the past five years. A recent Pta50bn consortium, organised by Mr Pujol's home rule administration to promote Catalan business outside Catalonia, and particularly in Southern France, rapidly obtained a Pta33bn credit line from Catalana.

'The premier institution centred on the Catalan economy, and dedicated to its service'

Tom Burns

SWITZERLAND: **William Dullforce** considers the implications of proposed new rules

Prescription for gradual deregulation

SWISS BANKING for the time being is rather like a heavy-weight wrestler in the middle of a punishing bout. It has great reserves of strength, but is being subjected to pummelling influences from all sides.

Pressure for change has stepped up sharply since the beginning of the year, sometimes from unexpected quarters. Thus, the bankers are resisting strongly the inclusion, in a bill against money-laundering, of a clause that would make negligence by bank employees a criminal offence.

The strengthening of that piece of legislation is a direct consequence of the drugs-money laundering scandal, which led to the enforced resignation in January of Mrs Elisabeth Kopp, Switzerland's first woman cabinet minister. The scandal has also prompted the Banking Commission to propose tighter regulations for the banks' international banknote trading business.

Two other developments in April, which have put pressure on the banks, have had less sensational origins but could have even more profound long-term effects.

First, the Banking Commission announced that it wanted to draw up stricter directives on the use of the hidden reserves, that almost mythical source for the Swiss banks' renowned capital strength.

The Commission came to the conclusion that greater openness was required in the banks' published reports after it had found that most banks had drawn on their hidden reserves to disguise losses or profit setbacks in 1987.

Second, the reinvigorated Cartel Commission unveiled sweeping recommendations for the dismantling or modifying of the many restrictive practices and price-fixing agreements currently operated by the banks.

If the prescriptions are implemented, they would induce a gradual but far-reaching deregulation of the domestic banking system.

Switzerland has long taken a liberal approach to international operations conducted through its financial centre, but one effect of the Cartel Commission's proposals would be to compel the syndicate run by the three big banks to loosen its grip on the SFr40bn (£14.23bn) a year (1988) primary issue market in Swiss franc bonds.

These projects for adjustments to Swiss banking practice are very largely motivated by the European Community's movement towards the creation of a single financial market.

The big banks already established within the EC can expect to benefit from this move; but Mr Markus Lusser, president of the Swiss National Bank (SNB), among others, has been warning that harmonisation of regulations in the EC, not least in tax matters, will put pressure on the Swiss financial markets to fall into step.

This mustering of impulsions to adapt has come after a year in which the banks had to cope with both the aftermath of the stock-market crash and the introduction of new liquidity requirements by the SNB.

Off-balance-sheet business and income from commissions suffered a setback, as trading on the stock-markets sank to a lower level following the crash. However, the changes to the liquidity requirements, which led to a 50 per cent reduction in the banks' cash and other reserve holdings in the first nine months, facilitated a strong revival in lending.

With the exception of Bank Leu, which reported a 25 per cent fall in net earnings, all the big banks increased their declared profits, but their appreciation of the situation was perhaps best reflected in a common decision to pay unchanged dividends.

Emphasis was very much on holding down costs in 1988, and the previous years' expansion in staff slowed down appreciably. Union Bank of Switzerland (UBS), the biggest bank, for instance, succeeded in keeping the growth in total costs to 3 per cent, which compares with a 5.3 per cent improvement in its cash flow, the largest increase among the big banks. However, the bank has also suffered severe losses through its London securities subsidiary, Phillips & Drew.

Forecasts for 1989 are cautiously optimistic. The business pattern is expected to remain the same, with lending operations again proving to be more buoyant than off-balance-sheet activity and managements watching cost developments closely.

The pressures mentionad above and variations in different managements' responses to them appear at last to be resulting in an intaresting breaking up of the monolithic front the big Swiss banks have so far presented to the world.

Traditionally, the three big banks have reported almost identical changes in their declared profits and dividend payments. This year Crédit Suisse posted a 7.6 per cent climb in net earnings, against 3.5 per cent for Swiss Bank Corporation and 3.4 per cent for UBS.

Moreover, Crédit Suisse announced, together with alterations to its group structure, plans to publish consolidated accounts, becoming the first to herald a movemant towards greater disclosure in Swiss bank-reporting that investors and supervisors have been urging for some time.

Crédit Suisse also distinguished itself last year, when it established CS First Boston, a global investment banking group with bases in London, New York and Tokyo.

Currency: Swiss franc	1984	1985	1986	1987	1988
Real GDP Growth %	2.1	3.7	2.8	2.3	2.6
Inflation %	3.0	3.4	0.7	1.5	1.9
Current Account (US$bn)	4.4	5.2	6.7	7.0	6.1
NatWest Trade Weighted Currency Index 16 December 1971 = 100	221.5	224.2	248.5	265.2	269.3
NatWest Real trade Weighted Currency Index 18 December 1971 = 100	113.1	110.3	114.1	118.9	111.1

SPAIN

The merger that came to grief

IT IS hard now to find anyone in the Spanish Government who will confess to having supported a year ago the merger of the country's two biggest commercial banks, Banco Central and Banco Espanol de Credito (Banesto). The two would have combined assets of $46bn and rank among the top 30 in Europe.

Bank merger fever had been encouraged by the authorities. After Banco de Bilbao failed to take over Banesto in late 1987, it merged with Banco de Vizcaya to great acclaim from the Government. With the single European market of 1992 looming, Spain's overstaffed and overbranched banks needed to pool their resources.

That was the theory. In May 1988, Banco Central and Banesto announced their merger, and Mr Alfonso Escamez, chairman of Banco Central, and Mr Mario Conde, the young chairman of Banesto, were feted by the authorities.

It all came to grief early last February, by which time the deal's early supporters were probably relieved. But the end of the merger has not proved to be the end of the agony. With the captivating saga at an end, worrying weaknesses in Spanish banking practice have come to the fore.

As the merger was designed, while Banco Central and Banesto slowly transferred their assets to a new holding company they agreed to maintain equal share prices. But from last autumn it was clear that Banesto was supporting its own stock quite heavily.

In January, Banesto shareholders challenged 1988 results presented to the board by Mr Conde, saying that in order to boost parent company profits he had been transferring Banesto assets to some of the bank's subsidiaries. These transfers "raised" abont Pta18bn, nearly half the Pta39bn profit. Soon after this, the merger was called off.

Then, however, it also emerged that, in their 1988 accounts, both banks had assumed that they would have around Pta200bn in new, untaxed cash to play with, because the Government would allow them to revalne their assets and transfer these to the new holding company virtually tax free. But the process never got that far and the money both banks had made over to (obligatory) provisions and reserves for 1988 did, in fact, not exist.

Mr Conde now has to make np the 1988 provisions he thought he had made, worth Pta23bn. Second, he must find buyers for more than 10 per cent of Banesto's stock – 6 per cent in treasury stock accumulated through support buying, just over 3 per cent surrendered by a former Banesto vice president with whom he had fallen out, and 2.05 per cent belonging to a joint venture which agreed to sell if the merger was called off. Mr Conde wanted to farm this out to clients and employees.

But the Bank of Spain now hurriedly tried to reassert its authority as a supervisor and forbade either bank to park treasury stock with friends or employees. The central bank said any loan made to a bank client to help buy equity in tha bank would have to be covered with a 100 per cent provision and a 35 per cent provision for stock sold with soft loans to employees. Both Banesto and Central went ahead with sales of shares to their employees, giving rise to initial extra provision requirements of Pta12.2bn for Banco Central and Pta14bn for Banesto.

Mr Conde, though, still had to find outside shareholders to buy up what he could not sell to his employees, abont 6 per cent of Banesto's equity. He managed to trade off a third of the 3 per cent owned by his former vice president to a fast-moving local entrepreneur, Mr Jaques Hachuel, in return for a 2 per cent stake held by Mr Hachuel in the private Swiss hank, Julius Baer. By mid-April, Banesto had confirmed that the 2.05 per cent once owned by the joint venture had been bought by Namrof Assets, an obscure company registered in Panama, but there was some doubt in Madrid as to whether the transaction would satisfy the Bank of Spain.

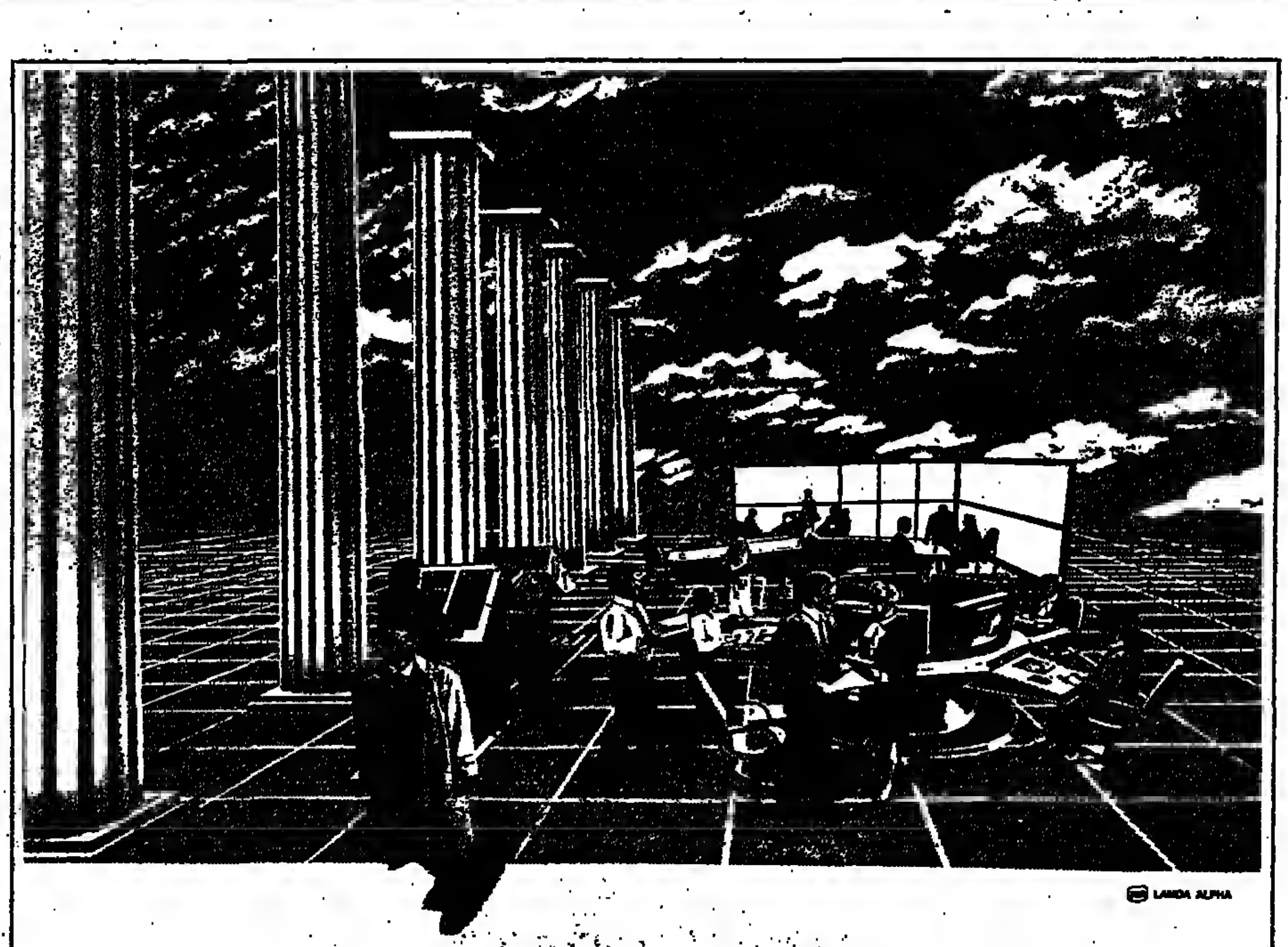
For the central bank, the end of the merger has been a golden opportunity to flex its supervisory muscle. It is already forcing banks to report monthly on the size of their treasury stocks, and has told them to provide quarterly consolidated balance sheets.

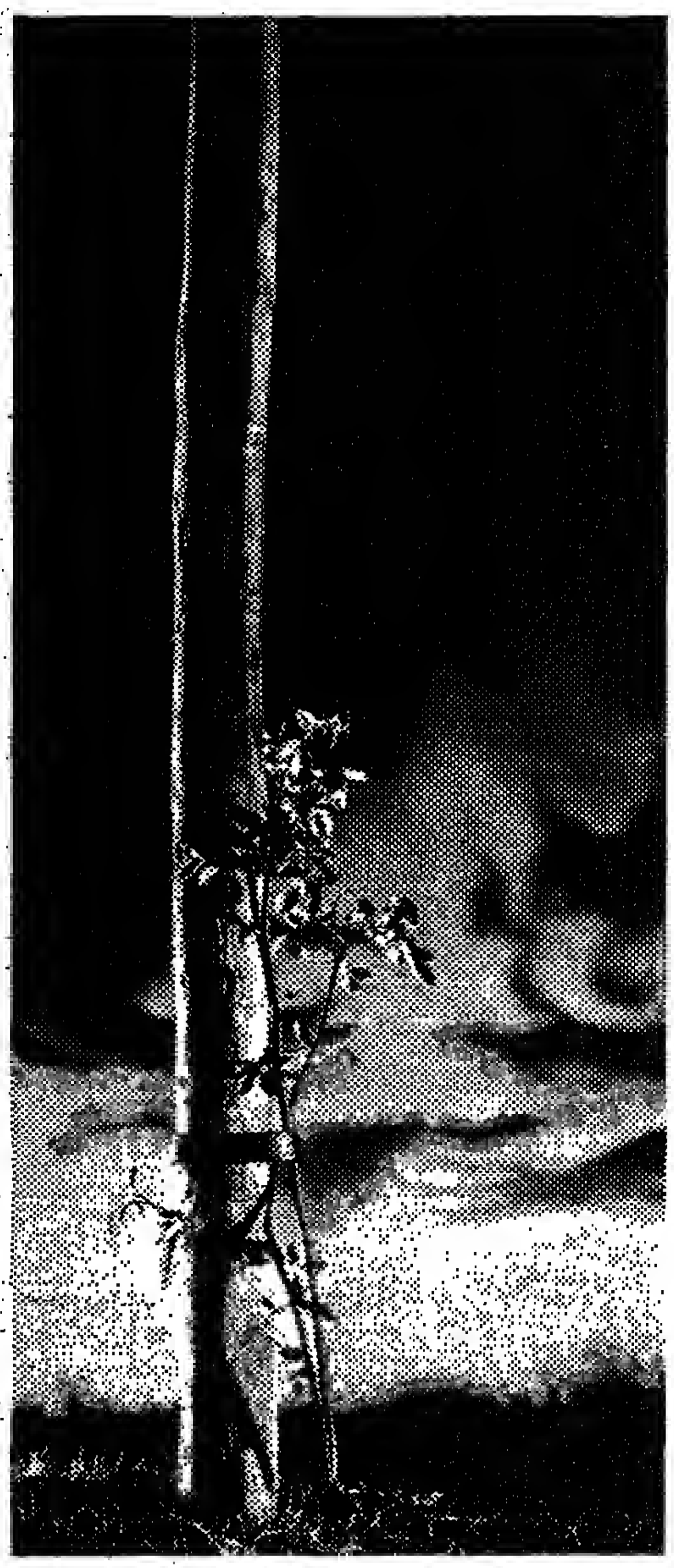
Tha messy merger has overshadowed a remarkable new boldness among the other big hanks. Banco Santander has swept ont of Spain to buy nearly 10 per cent of the Royal Bank of Scotland and other banks in Europe. Banco Popular is forging new alliances in financial services. Banco Hispano Americano is seeking modest European investments.

Banco Bilbao Vizcaya, now unchallenged as the country's biggest bank, has finally bitten the hullet and hegun to do really painful work trimming its staff and hranches.

Peter Bruce

Currency: peseta	1984	1985	1986	1987	1988
Real GDP Growth %	2.3	2.2	3.4	5.2	5.0
Inflation %	11.3	8.8	8.8	5.3	4.8
Current Account (US$bn)	2.0	2.7	4.1	1.5	–3.3
NatWest Trade Weighted Currency Index 18 December 1971 = 100	69.3	72.2	78.6	86.5	96.4
NatWest Real Trade Weighted Currency Index 18 December 1971 = 100	91.9	100.8	93.0	93.3	83.0





THE NETHERLANDS

The London factor

DUTCH BANKERS are linking arms in unprecedented unity to defend their territory from foreign competition and to recoup lost ground.

A blueprint for action – "Amsterdam: Financial Gateway to Continental Europe" – was initiated by the banking community, and then found broader support. It outlines a step-by-step approach to win back business in guilder paper lost to London, and carve to out international market niches in selected areas of strength.

"We are acting more as a community than as individuals," explains Mr Roelof Nelissen, chairman of Amsterdam-Rotterdam Bank, himself the driving force behind the plan. "In one to two years we think we can compete in cost and sophistication."

A convergence of factors has prompted bankers to seize the initiative, attracting a wide array of support from the rest of the community. Decisive was the realisation that about half of all business in Dutch government bonds had leaked away to London.

In banking at large, narrowing profit margins, new players on the field, crumbling cartels and the approach of European integration were also crucial. In the background loomed a wave of mergers, government privatisation, capital flight and the expected convergence of banking and insurance.

These winds of change are reshaping the landscape of Dutch banking. Amro announced its landmark alliance with Générale de Banque of Belgium last year, followed this year by the merger of NMB with Postbank and planned alliance of Verenigde Spaarbank, the biggest savings bank, and Amev, the third largest insurer.

Verenigde Spaarbank and Amev have swapped shares, with the intention of merging after abolition of the law forbidding cross-ownership between banks and insurers. While other Dutch banks and insurers have been less enthusiastic about the "financial supermarket" concept, more such alliances seem likely, given the need for economies of scale in a barrier-free Europe.

The venerable "cloverleaf" of four mainstream banks – Amro, and its subsidiary Pierson, Heldring & Pierson; and Algemene Bank Nederland, and its subsidiary Mees & Hope – has been replaced by a new cloverleaf: Amro, ABN, Rabobank and NMB/Postbank.

Rabobank, a co-operative bank, increasingly looks and acts like the universal banks that ABN and Amro are. The NMB-Postbank merger, while slowed by union demands, combines NMB's strength in small business with Postbank's mass client base.

Nipping at the cloverleaf's edges are a pack of aggressive Dutch and foreign financial institutions. These mavericks have flouted the gentlemanly rules that have long governed Dutch banking and provoked head-on confrontation.

Currency: guilder	1984	1985	1986	1987	1988
Real GDP Growth %	3.2	2.3	2.4	2.5	2.9
Inflation %	3.3	2.2	0.2	–0.7	–0.7
Current Account (US$bn)	6.6	4.0	4.6	3.4	5.6
NatWest Trade Weighted Currency Index 18 December 1971 = 100	136.1	138.8	151.9	161.7	164.7
NatWest Real Trade Weighted Currency Index 18 December 1971 = 100	94.5	96.0	96.6	100.1	93.8

Credit Suisse First Boston and Swiss Bank Corporation inverted the traditional and lucrative fee structure for domestic bond underwriting. Kempen & Co, an aggressive brokerage firm, has chipped away at the Cloverleaf's dominance of equity underwriting. Under this kind of assault, profit margins have narrowed.

This is not to say that Dutch banks did badly in 1988. They turned in an exemplary performance. The new Cloverleaf lifted its earnings by an average of 19.5 per cent, thanks to buoyant lending and a stock-market recovery. Since then ABN and NMB have opened branches in Luxembourg (Amro already had one). Mr Onno Ruding, the Finance Minister, is lobbying for uniform banking secrecy laws in the EC, to stem the flow of money to the most tight-lipped country.

More serious is the need to recover securities business lost to London. Dutch banks account for the lion's share of business done on the Amsterdam stock exchange. Banks have promised to improve securities markets' liquidity and transparency as part of their contribution to making Amsterdam the Financial Gateway. More active market making is widely expected.

In the Financial Gateway plan and other studies, banks are urged to improve their services to institutional clients in particular. More tailor-made instruments should be offered, sales capacity should be augmented, research should be improved and portfolio management should be expanded.

Mr Jan Steinhauser, head of the Financial Gateway Foundation, charged with executing the plan, says Dutch companies are being courted by foreign bankers. "Corporate treasurers say they are visited every six months by merchant bankers from London – and I mean the top people – saying 'we have this and that'. These treasurers say Dutch banks almost never come to them: they have to go to the banker."

This applies to some Dutch banks more than others. Amro has paced the pack in bringing equity issues to the market lately. It lead managed the first privatisation tranche of DSM, the state-owned chemicals company, and will do the same for the second tranche. Amro is leading the international flotation of DAF, the Dutch truck-maker, and is the largest Dutch player in swap transactions. Speculation already is running high over which bank will help in the privatisation of NMB/Postbank, expected later this year.

Bankers are taking off the gloves when it comes to retail banking. This is where the European Commission has most vigorously broken price cartels, such as those covering payments transfers, foreign exchange rates and securities safekeeping. Bloody price wars have yet to break out, but competition is growing.

Laura Raun

BELGIUM and LUXEMBOURG

Better able to withstand change

BANKS IN Belgium and Luxembourg are having to respond to very different challenges – the former to the reality of national de-regulation, and the latter to the prospect of European Community tax regulation.

But in both countries, the banking sector, which each accounts for 4-to-5 per cent of the world market, is now in a much sounder position to withstand change, if not to gain from it.

In Belgium, average profitability in 1987 was depressed by the loss of two consortia banks – the Europe Banking Company and European Arab Banks – which closed their doors.

Yet average profits bounced back last year, and solvency ratios improved, though further improvement is still needed, says the Belgian Banking Association (ABB).

A 20 per cent increase growth in private lending last year, compared with a 2 per cent fall in public sector loans, has helped give Belgian banks a better risk spread, and improved profitability.

Luxembourg officials, who now regulate some 140 banks, most of them foreign, profess to be much happier about banks' prudential provisions,

Currency: Belgian franc	1984	1985	1986	1987	1988
Real GDP Growth %	1.6	1.5	2.5	2.4	3.2
Inflation %	6.3	4.9	1.4	1.6	1.2
Current Account (US$bn)	0.0	0.7	3.0	2.9	3.2
NatWest Trade Weighted Currency Index 18 December 1971 = 100	100.2	102.2	108.2	112.8	113.3
NatWest Real Trade Weighted Currency Index 18 December 1971 = 100	81.0	75.9	71.1	71.3	68.5

Currency: Lux. franc	1984	1985	1986	1987	1988
Real GDP Growth %	6.5	3.8	2.9	2.0	3.0
Inflation %	5.8	4.1	0.3	–0.1	1.5
Current Account (US$bn)	0.0	0.7	3.0	2.9	3.2

with roughly three-quarters of profit being ploughed back into reserves on average. But with recent growth coming more from private client banking than from traditional wholesale lending, the banks are understandably concerned that moves at the EC level to introduce a minimum withholding tax on EC non-residents' bank and bond income may deter placement of funds in the duchy.

Structural change in Belgium is proceeding apace in the run-up to the planned single financial market of 1992. The plan for Générale de Banque to eventually merge its foreign activities with Amro of the Netherlands, with, as a first stage a 25 per cent cross-shareholding in each other, is the most striking feature of growing internationalisation in Belgian banking.

But Banque Bruxelles Lambert (BBL), which already has strong European representation among its shareholders, has bought Dreyfus in France and Switzerland, plus a small bank in Luxembourg, and is said to be looking for something to buy in Germany.

Kredietbank, the third largest Belgian bank, has a more narrow regional strategy, seeking to combine strength at home with a presence in the UK, Ireland, Germany and northern France.

The most noteworthy of the incomers have been Spanish banks, taking advantage partly of a pull-out by some north American institutions. Banco Santander, along with the Royal Bank of Scotland, has taken over Crédit du Nord Belge, while Banco Hispano-Americano, together with the BACOB Belgian savings bank, has taken over Continental Bank in Brussels.

Attracting less notice has been a trend towards domestic takeovers: Tiense Bank, by Metropolitan Bank; Europa Bank, by Bank van Roeselare; Beeckmans, by Nagelmackers.

Long-overdue government action, led by Mr Philippe Maystadt, the youthful finance minister, is being taken to improve the chances of Belgium's holding its own in the post-1992 European financial market.

On the technical side, the Computer Assisted Trading System is being introduced on to the Brussels bourse, after a squabble between brokers and bankers over access to the market. Banks are now allowed to buy into stock-broking houses which, from the end of this year, are themselves to be allowed to set up as limited companies and therefore expand more than they could as simple partnerships. By 1992, banks will be permitted to create their brokerage operations.

The other main element of reform under way is the removal of special privileges for Belgium's six state-owned credit institutions. Dating back to the turn of the century, these banks were set up for special purposes – investment in farming, housing, small business and industry – and were given special privileges, such as state guarantee of loans, and special exemptions, such as freedom from the control of the Commission Bancaire or the requirement to publish results or balance sheets. The Government has now prepared a draft law to put the six on a par with their private competitors.

One last possible reform being mooted is a change in the remit of the government-backed Ducroire export credit insurance agency. Commercial banks are nervous about talk of letting the Ducroire compete with them in the financing of exports, not just their insurance.

While Belgian banks see plans for an EC-wide 15 per cent withholding tax on bank and bond interest as a way of getting a reduction in the 25 per cent Belgian tax on such income, Luxembourg banks dislike the idea of having to introduce such a levy for the first time on non-residents' income.

However, even more important to them is bank secrecy. Aware of this, the Luxembourg Government slipped through a decree in late March, reinforcing the duchy's bank-secrecy law by giving certain administrative practices the status of law.

Somewhat surprisingly, the EC welcomed this move, on the grounds that it clarifies the duchy's laws. The Commission's hope is that, reassured on bank secrecy, Luxembourg may prove less hostile to Brussels' plan for a withholding tax, designed to prevent large amounts of tax-shy money flowing into the duchy in a year's time when neighbours like France are due to lift all exchange controls.

David Buchan

Profile: Philippe Maystadt

'Big bang must be controlled'

PHILIPPE Maystadt has a vision of raising the stature of Brussels the Financial Market-place to something nearer the stature of Brussels the Capital of Europe, *writes David Buchan*.

But the youthful Christian Democrat finance minister is quick to point out that no Belgian "big bang" must be allowed to cause a weakening of investor-protection or of the already-shaky finances of the heavily-indebted Belgian state.

"We are aiming at modernisation and flexibility in the Belgian market place, bnt also at better control of that market place," he says, "not a simple de-regulation."

Thus, while his own Finance Ministry no longer sets so many rules for banks, credit and investment institutions, the supervisory powers of the Commission Bancaire (shortly to have "Financière" added to its title) will be strengthened and widened.

It will, in particular, oversee a stock exchange to which banks will havs access (through shares in brokerage houses), and public, as well as private, credit institutions.

Draft laws have also been passed, to:

1, Require public notification of major share transactions, and so make impossible future surprise "dawn raids", such as that made by Mr Carlo de Benedetti on Société Générale de Belgique last year; and

2, To allow the Commission Bancaire to introduce a proper takeover code.

At the same time, Mr Maystadt is clear that he cannot go distribnting "fiscal gifts that would put at risk" the slow improvement of Belgian public finances that has occurred since the early 1980s, but which still leaves Belgium with one of the highest public deficits of any EC state. "It would be neither realistic, nor in keeping with the spirit of 1992, to try to make Belgium into a fiscal paradise," hs emphasises.

Within this constraint, however, he is considering encouragement of the so-called Sicav unit trusts, to set up in Belgium. "As we already permit the sale in Belgium, and quotation on the Brussels stock exchange, of foreign Sicavs, I don't seek why Belgian Sicavs might not be set up."

Another priority for the minister is to see what can be done to develop Euro-issues in the Brussels market, as Luxembourg has done so spectacularly. He acknowledges, however, the fiscal problems that the Belgian state would face if it were to reduce taxation, such as withholding taxes, to anywhere near the Luxembourg level.

Philippe Maystadt